G.F.

App. F. IX-4

PRESERVED

1933.

(G.F.)

PRESERVE

File No. 237-33

Serial Nos. 1-2

Previous References

G.F. 69. 68 —
" 145-32 (1-3)
" 66-32 (1-3)
" 199-3

Later References.

G.F. 7F-38 (1 to 2)
G.F. 219-40 (3 to 27)

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. Nos (P. 109 (E)

Part B for Jan 34

SUBJECT.

Report of the Bank Committee

8 27

Secret 3766-870 of 6th Jan 24

WD 01965—GPB—15,000—7-7-34

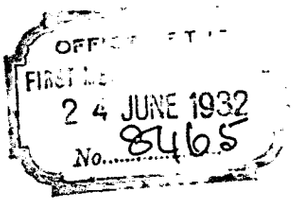
To the members of the Committee
" Secretariat to Govt
" Heads of Govt
" D.C.s of districts
Mamlatdars

Passed orders on the RG

5744
Fc.

General & Revenue Secretariat. | File No. | of 193

Serial No.



1 The Report of the Bank Committee has been received and submitted for perusal and orders.

2 A copy of the Report may, as requested by the Committee be forwarded to the Bank for information in the first instance.

FIRST MEMBER.
DEWAN.

24.6.1932

3 A copy of the report may be sent to the Bank. The report may be printed.

4 The report is unanimous and all the three representatives of the Bank have Signed it. We may ascertain from the Bank if the authorities of the Bank endorse the views of their representatives. On receipt of their opinion the report may be dealt with.

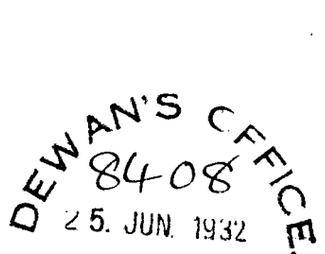
24-6-32

5 25-6-32

6 Very early

Submitted
A draft to the Manager, Bank of Mysore Ltd 27/6/32

and another to the Superintendent



NOTE—Contn. Sheet.

WD 613—GPB—500 -26-9-31

Serial No.

Superintendent, Government printing are put up for approval.

Sgn 25/6 J Jessup 25/6

No H 9202 dt 29.6.32 to the Manager, Bank of Mysore forwards a Copy of the Report of the Committee requesting the Bank to intimate if the authorities of the Bank endorse the views of their representatives on the Committee.

H 9201 dt 29.6.32 to the Superk. Govt. Printing forwards a Copy of the Report to be set in type.

No M.79 dt 21.7.32 from the Manager, Bank of Mysore forwards a Copy of the Board's Resolution stating that they are generally in agreement with the Recommendations made by the Bank Committee in their Report.

Do No 62 dt 22.7.32 from Mr B. Srinivasa Iyengar Special Duty officer forwarding Sri K. P. Puttanna Chetty's letter enclosing a Copy of a similar resolution of the Board.

H Secy. on the last two Serials.

" Subd to the Hon. Member for information. The report is now to be taken up for action.

Sd. S.S.

27/8

" A reply acknowledging the letter

TYPING SECTION 29 JUL 1932 CENT. & REV SECT.

NOTE:—Contn. Sheet.

File No. of 193 . | General and Revenue Secretariat

stating that Govt are glad to learn that the Bank is generally agreeable to the recommendations of the Committee may be sent.

11 The matter is important & has to be ruled to Dewan for information.

12 Early action may be taken for dealing with the report"

Sd. M.R.K.
23.7.32

13 "Ruled to Dewan for information"

Sd. S.S.
25/7

14 Sd. M.R.R.J.
25/7.

No 7c 591 of 29 7/32 to the Manager, Bank of Mysore acknowledging receipt of his letter & stating Govt are glad to learn that the Bank is generally agreeable to the recommendations of the Committee

14 Reference is invited to the Submission note of 2.10.31, which explains the circumstances that led to the formation of the Committee. Please also see letter of even 9/31 to the Bank. A Committee was duly constituted vide G.O. No 7c 3800-860 of 3.12.31. This Committee was reconstituted under G.O. No 7c 715-99/Gen 192-31 of 19 3/32.

Serial No.

15

The general lines on which it was thought desirable to increase the usefulness of the Bank are contained in the 18th Nov's minute of 11.7.29. in G.F 29 28.

16

The Committee has subd its report and the Board of Directors of the Bank have expressed themselves in general agreement with the recommendations.

(The report was sent for print. The proof sheets have been verified & passed for with final print order).

17 The first two sections of our Report deal with the history of progress of the Bank & the powers & terms of reference of the present Committee.

18 Orders of Govt are required only on Section III containing the recommendations.

19 A draft G.O is subd, which proposes to approve of all the clear recommendations. Orders are solicited on the following.

1) The personnel of the Expert Committee to consider the question of placing the Bank on a statutory basis, & the time of appointing the Committee.

W.

NOTE—Contn. Sheet.

WD 70—GBPM—60,000—13-8-31.

5

Bank Committee Report

5144

File No. of 193 . | General and Revenue Secretariat

2) Continuance of a deposit of not less than 10 lakhs

3) Rejection of the rate of interest on balances in the Current Rech.

These are also stated as appd in the draft subject to approval.

Industrial Finance.

All the recommendations of the Committee in this behalf are for orders. The first of the recommendations would seem to throw the balance of responsibility more on the side of Govt.

Subs for orders - Schedule matter x x Cancel

Fin Secy) 8/8 ASM 5/8

23 Have printed copies of the report not come yet? If not remind the Press to get them early. The opinion of the Comptr and the Director of Industries on the Report as one, I think be called for, as this seems to be necessary. 709

20/8/32 ASM 24/8

Subs 24/

Printed Copies are not yet come (I went to the Press to-day & was told they would be sent to-morrow morning). 760

Fin Secy 25/8 ASM 25/8 23/8 23/8

25/ Printed Copies are read.

Subs works a draft to suit the views of the Comptr.

Fin Secy) ASM 25/8 26/8. 27/8 ASM 25/8

TYPING SECTION 26 AUG. 1932 GENL. & REV. SEC

Bank Committee Report. 6

General and Revenue Secretariat | Gen. File No. 192 of 1931. | [App. F. III—2

Serial No.

An urgent Reminder was issued on the 8th.

5/9

5 SEPT. 1932 1593

A

31

32 I Member)

33 No 3.

NOTE—Contn. Sheet.

File No. of 193 . General and Revenue Secretariat

34 The Bank Committee's Report has now to be taken up for consideration. The Directors of the Bank have agreed to it generally and the opinions of the Comptroller and the Director of Industries & Commerce on it have been received. The latter agrees with the report and has no remarks to offer and the former has recorded his opinion against the several points in a copy of the Report. He has agreed with most of the recommendations.

35 As suggested in the Report, a new Agreement may be entered into for another period of 3 years and in the meantime a special committee may be appointed for promulgating the Bank Act which would include provisions for the working of all Banking Institutions and also special provisions for the working of a Bank entrusted with Government work.

36 Pending legislation, the transfer of (1) the entire Government Cash Balance and (2) Treasury Work wholly to the Mysore Bank will have to be kept in abeyance and the Bank will have to be entrusted with a portion of Government work and given a portion of the Government cash balance on the present contractual basis.

37 The personnel of the Committee will have to be considered.

38 The Comptroller may be required to examine and transfer suitable items of Treasury work like pension payments to the Bank after obtaining orders of Government in each individual case.

39 The present Current Account of Government with the Bank will be continued. In regard to the rate of interest

Serial No.

interest to be allowed on the current account, there is a difference of opinion. The Comptroller wants 5 % interest on the minimum fixed balance of Rs 5 lakhs while the Bank would pay only at 2½ % for 9 months of the year and the rate they are now paying, viz., 2 per cent less than the Bank rate for the remaining 3 months, which means a difference in favour of the Bank of Rs 9,375 per annum as worked out by the Comptroller. There is something to say in favour of both views. In its flourishing condition, the Bank does not stand in need of a deposit at concessional rate from Government. At the same time, this will have to be regarded as part of the general scheme of the Bank closely working with the Government and some special recognition to the Bank on this account may not be considered as undeserved.

(4) On the current account balance in excess of the above Rs 5 lakhs, the ~~Bank~~ Committee proposes a small reduction in the rate of interest i.e., from 2½ per cent to 2 per cent during the nine months of the year April to December, the present rate of 2 per cent below the Bank rate continuing for the other three months. The Comptroller is agreeable to this and it may be accepted. It involves a concession of Rs 1,000/- per annum to the Bank, ~~which is recommended by the Committee~~ in view of the co-operation expected of the Bank in several directions including Industrial Finance.

(5) Regarding furnishing of the Government Auditor's Report, the Comptroller states that a verbatim copy need not be given to the Bank but matters of importance may be communicated. This may, perhaps, be accepted.

NOTE—Contn. Sheet.

WD 70—GBPM—60,000—13-8-31

File No. 797/H of 193 . | General and Revenue Secretariat.

Should be arrangement for bringing together the representatives of the Bank and of Govt to settle disputed points or general questions of policy and principle - Regular official correspondence in such cases often proves harmful. Whether it is desirable to have such a standing Committee for consultation is also a matter that may be considered by

8.9.32

FINANCE
8 SEPT. 1932
No. 1690

This is an important problem and it is a matter for satisfaction that the Committee which consisted of representatives of Government and the Bank have come to unanimous conclusions. It is also gratifying that the Board of Directors of the Bank support generally the recommendations of the Committee.

A new agreement may be entered into with the Bank for a period of three years with the modifications suggested by the Committee in the conditions of the existing contract.

I think the concession of reduction of interest on the constant minimum balance of Rs 5 lakhs, and, on the call balances of the current account, recommended by the Committee, may be allowed. The ~~estimated~~ cost to Government of the former reduction is about Rs 9,000/- per annum

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annum. There would be no justification for allowing this concession except in return for some consideration in the general public interests which the Bank is willing to allow and the Committee accordingly support their suggestion by the statement that "this concession may be allowed in view of the co-operation expected of the Bank in several directions including Industrial Finance". It is necessary to emphasise this point in sanctioning this recommendation. It is not clear how the Committee assume that the loss to Government involved in their recommendations regarding both these interest reductions is only about Rs 1,000/- per annum.

53 The working of the Bank should be governed by a separate Regulation and after its functions are adequately controlled by law, the co-operation between it and Government can become closer and most of the money transactions of Government can be entrusted to it. A small committee consisting of the Financial Secretary, the Government Advocate and the Manager of the Bank may prepare a Draft Bill for regulating the work of the Bank of Mysore and also its relations to other Banks, and if necessary, this important matter may, thereafter, be considered by a more representative committee.

54 I see no objection to giving confidentially to the Bank a copy of the full report made by the Government Auditor.

NOTE—Contn. Sheet.

The

File No. of 193 . | General and Revenue Secretariat

(5) The Scheme of Industrial Finance suggested by the Committee is well-considered and may be generally approved. The Bank will have to obtain the authority of its share-holders to work this scheme in association with Government and it may therefore be requested to take action accordingly.

(6) I am not sure if the division of business between the Trade and Industrial Sections of the Bank proposed in para 29 (7) of the Committee's Report is reasonable or workable. I think that much of the accommodation for trade which the Bank now affords should remain in the Trade Section even after the opening of an Industrial Section. The latter should cpncern itself mainly with the financing of industries. It may be necessary to adopt a ~~different kind of~~ different division of functions between the two Sections ~~than~~ from that now proposed. However, this is a matter of detail and could be further considered by the Committee proposed to be appointed under para 29 (9) of the Report.

(7) What finance should be provided by Government to supplement that found by the Bank, is a very important matter. It may not be possible to place immediately at the disposal of the Bank for this purpose a sum of Rs 10 lakhs. The amount to be provided in the intial period may be suitably reduced in consultation with the Bank. It is, however, desirable to start the operation of the Industrial Section and gain experience of working it. There is

for the promotion of industries

no

neral and Revenue Secretariat | File No. 297/32 of 193

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no doubt that the conditions of its operation will have to undergo many changes in the light of practical experience.

56 The other recommendations of the Committee may be accepted.

57 As regards the point raised by the Financial Secretary in the last para of his note, there will be a Committee consisting of representatives of the Bank and Government to investigate questions of industrial finance and the same Committee may be required to consider points in dispute between the two ~~and~~ or points of general banking policy.

58 The question of the cash ratio to be maintained by the Bank is an important condition of the agreement settled in 1923. The Committee does not, however, refer to it. This condition should continue and should not be pverlooked.

DEWAN'S OFFICE. 27. SEP. 1932 1927

61
Chief Secretary)
Council matter.
26/9/32

RMC 23/9/32

62
Dewan

RM 27/9/32

NOTE—Contn. Sheet.

WD 70—GBPM—60,000—13-8-31

C.154/Encl. 1 file

15

Vasantha Mahal,
Mysore, 15th October 1932.

My dear Mirza,

63 I am sorry to have taken so long over returning the file relating to the Banking Committee. The file deals with a number of questions of first class importance on which I fear I am not really qualified to advise. It is with much diffidence, therefore, that I put forward the following considerations.

64 The most remarkable feature in the history of the Bank seems to me to be the great amount of care and ability that was devoted to the scheme of 1920, and the very small extent to which effect has been given to the conclusions then arrived at. In particular there seem to be still a number of minor ways in which the Bank could relieve the Government to the advantage of both.

65 I fully agree as to the necessity for legislation. But I should like it to go much further than appears to be proposed, taking control over banking operations in the State in general, giving concessions to all banks that comply with certain minimum security requirements, and prohibiting those who do not from calling themselves banks, or imposing fiscal penalties on their use of cheques etc. I should like to see similar limitations imposed on the floating of limited companies. The first essential of the development of trade and industry is mutual confidence, and this will never grow so long as any man of straw can form and advertise a limited company with a huge authorised capital, of which only a very small part is ever issued and a negligible fraction actually paid up.

66 I am quite open to conviction that Government ought not to be a shareholder in the Bank, but I cannot find any arguments

in the file that convince me. Under present conditions, it has all the disabilities, but none of the advantages, of that position.

67 As regards the financing of industries, the position, as I see it, is this: the Government are ready to advance money to promising industrial enterprises and to take risks which no bank would take. In other words, they are quite ready to lose considerable sums here and there if the general result is to advance the country industrially. But they would like to have the advice and help of business men. It seems to me that they can get this through the proposed committee without passing the money through the Bank.

68 On the other hand the conditions on which it is proposed that they should secure the Bank's help would appear likely to tie the hands of the Government unduly. The Bank will be in a permanent majority on the Advisory Board. They are not bound to accept even a unanimous vote of the Committee; when there is a majority vote, e.g., when one Bank director votes with the two Government officers, they can impose on the Government such major portion of the resultant loss as may be arrived at by a process of higgling; when the three Directors outvote the two Government officers the application fails without ever going before the general body of Directors at all. It would seem from this that a cautious body of Directors need never take a risk which they would not undertake in their ordinary banking practice, and one could hardly blame them if they adopted such a policy. The whole stability of a Bank depends upon its reputation, and if it gets abroad that any Bank has incurred bad debts, people are apt to fight shy of it. You cannot expect the public to distinguish between bad debts incurred on the industrial and on the trading side, and from the way that rumours spread in this country, a bad debt incurred in connection with an industrial loan which was guaranteed by the Government might easily shake the reputation of a Bank as a whole.

69 If the above is correct and if the bulk of the new capital is to be provided by the Government, it seems to be an unnecessarily generous provision to leave the terms of the new issue entirely in the hands of the Directors, in other words to enable them to give such bonus as they may think fit to the existing shareholders, who for anything there is in the constitution to the contrary, may all be outside capitalists.

70 I am not enamoured of the Madras law on the subject of industrial loans, under which the Government make them direct on the advice of a committee of business men, but I think you would find that, if your wish is to be able to take an abnormal risk when you think the circumstances of the country justify it, they would enable you to carry out your intentions much more effectually than the proposed provision. I believe that in Baroda, after endeavouring in vain to induce the Bank to undertake this class of business, they have adopted a plan similar to that in force in Madras.

71 I am much struck with Rose's dictum that the personal element in banking must and should be supreme. You want for Directors the very best men in the State, men who are not only gentlemen of scrupulous honesty, but are also known for their business capacity, and above all men who are not to be suspected of utilising their position in the bank to further schemes in which they are interested . The selection of the Manager is perhaps an even more important matter. Banking is not a thing that can be learnt out of a book. The human element is all important, and unless your Manager combines a knowledge of banking law and of the trade of the State with ability to read the character of the applicant for a loan, and to decide on the spur of the moment whether or not a risk should be taken, the bank will not continue to progress as it has done in the past. I should like for these reasons to see a Government Director (who might be a retired official) on the Board, and a Deputy Manager in training who

undoubtedly possesses the exceptional qualities required.

In conclusion I wonder if it would not be wise to empower the Government, or at least the Directors, to prohibit transfers of shares, as has been done in the case of many English companies, for instance, to prevent key industries getting into undesirable hands. It appears to be admitted that there is nothing in the present constitution to prevent the majority of the shares getting into the hands of a single speculator or body of speculators. It is true that this has never occurred, but if it were to do so, the holders of the majority of the shares, could appoint their own Directors and through them their own Manager, and having done so, might utilise the resources of the bank in a way most detrimental to the interests of the Government. This danger seems to me to afford another reason why the Government would be wise to make over the money which it transfers to the bank in the shape of share capital and not as a deposit, but if that were not approved, there is the comparatively simple alternative of a power to veto transfers.

Yours sincerely,

DEWAN'S MINUTE.

FILE No. 193 .

Forst Mombs with Compts

I attach Sir Charles Todhunter's letter on the subject of the new agreement with the Nizam Bankers. I have requested him to favour us with his advice. His suggestions appear to me to be very sound & well worth close examination & adoption, if possible.

MD

16-10-32

Serial No.

2722

DEV 2626 FICE
5. NOV 1932

The suggestions of Sir Charles Todhunter are considered below:-

74 LEGISLATION NOT ONLY FOR REGULATING THE WORK OF THE BANK OF MYSORE BUT ALSO FOR EXERCISING GENERAL CONTROL OVER THE WORK OF ALL BANKS IN THE STATE:- This is desirable. The Indian Central Banking Committee has made certain suggestions on this subject and they may be considered by the Committee which will draft a Bill for regulating the work of the Bank of Mysore and of banking operations in general. If a Federal Constitution is soon established in India, banking will become a Federal subject for policy and legislation, and there may be no need for special legislation in Mysore for controlling banking operations in general.

75 IMPOSITION OF LIMITATIONS ON THE FLOATATION OF LIMITED COMPANIES:- The law relating to companies has been revised in the United Kingdom and I believe also in India. Our law also requires improvement and this suggestion may be considered in amending the existing Companies' Regulation.

76 GOVERNMENT TO BE A HOLDER OF SHARES OF THE BANK:- The generally accepted view is that a government should not be a share-holder in a bank. It is considered that the partnership of a Government with a bank deprives the latter of the freedom it should have in performing its functions and devolves on the former the responsibility for the good management or stability

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of the bank - a responsibility which it is generally difficult for a government to undertake.

77 No part of the share capital of the Bank of England is, I believe, held by the Government of that country. The same is the position in the case of the following Continental Banks:-

Riches Bank,
Bank of France,
Bank of Belgium,
Bank of Italy,
Bank of Netherlands,
and Bank of Spain.

The State held no part of the share of the capital of either the old Imperial Bank of Russia or of the old Austro-Hungarian Bank.

78 When the Bank of Japan was first established, the Government of Japan was a large share-holder in it. But the shares so held were afterwards transferred to the Imperial Household Department.

79 In India, the Government of India held shares in the old Banks of Bombay and Bengal, but so far back as 1876, the Government of India sold their shares in these Banks and they have held no shares either in the old Presidency Banks or in the present Imperial Bank of India. Even in the proposed Reserve Bank, there is no provision for any part of the share capital being contributed by the Government of India.

80 FINANCING OF INDUSTRIES.- What Body Sir Charles means ~~by~~ by "the Committee" referred to by him here, is not clear. It appears to be

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be the Advisory Body mentioned in para 29 (8) of the Report. Sir Charles states that "they (the Bank) are not bound to accept even a unanimous vote of the Committee - apparently the Advisory Body". This is not, however, the recommendation made in the Report: please see para 29 (10) (c) which provides that "when the Advisory Board is unanimous in its opinion, it will, as a rule, be accepted by the Bank".

81 When a majority of the members of the Board makes a recommendation for the grant of a loan and the Bank does not accept the recommendation, the matter will be considered again by the Advisory Board and be submitted to Government: vide para 29 (10) (d). It is only when Government press the Bank to allow an accommodation that the question of sharing the loss, if any, arises and then the shares of the loss to be borne by the Bank and Government will be settled in relation to the merits of the case. If a major part of a loss is accepted by Government, it has to be assumed that the case is considered by Government to be deserving of this concession.

82 Where the three Bank Directors out-vote the two Government offices, the case would not go, as stated by Sir Charles, before the Board of Directors of the Bank at all. The local Banking Committee apparently thought that cases of the kind would be undeserving of any consideration and so did not make any suggestions about them. If, however, the two Government officers hold that any case of this kind requires financial

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help

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help, they may specially bring it to the notice of Government.

83 That some risk in respect of industrial loans should be taken by the Bank, is the very object of these proposals and I do not think the Bank will, after accepting the arrangement, not carry it out. If, however, its attitude alters materially, the whole arrangement will cease to function and the position will have to be re-considered.

84 The Bank incurs bad debts in making trade loans and I do not think its stability will be affected if it incurs some similar debts in making industrial loans. It should be remembered that the risk would not be unduly large as there would be definite limits within which industrial loans would be kept.

85 Independently of the finance required for making industrial loans, the Bank's capital requires to be raised as its present capital is low compared with its deposit liabilities. The money which the Bank should provide for industrial loans need not necessarily be found by increasing its capital. Any of the other methods suggested by the Committee may be adopted. After all, the finances of a bank form one fund and the value to ~~xxx~~ be attached to the separation of the several sources from which it is obtained, is not of much importance and the share-holders should take all the risks incidental to the business undertaken and share in the benefits obtained from it.

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it.

86 The alternative of associating a bank with the provision of finance necessary for promoting industries, should, I think, be tried. Ultimately the financing of industries should be in the hands of banks specially equipped for the performance of this work and the proposals of the local Banking Committee, the general lines of which met with the approval of Sir B.N.Mittra, aim at the association of both agencies - Government and a bank - necessary for progress in the present stage of industries in India.

87 PERSONAL ELEMENT IN BANKING:- The present and proposed contracts with the Bank provide for Government approval to the appointments of persons proposed for the places of the Chairman of the Board of Directors of the Bank, the Manager, and, the Deputy Manager. Whether there should be a Government Director on the Board of the Bank, is a matter on which opinions differ. The local Banking Committee has, however, suggested that this point might be further considered by the Committee appointed for drafting the Bill to regulate the work of the Bank: vide para 21 of its Report. As observed by Sir Charles, it is necessary that a properly chosen Deputy Manager should be in training and the Bank's attention may be drawn to this need.

88 TRANSFER OF SHARES:- It is, no doubt, undesirable that the capital of the Bank should get

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get into the hands of undesirable persons or that its policy should be controlled by outside interests, and any action possible on the lines of the prohibition of shares of English companies referred to by Sir Charles, may be taken. How far, however, such prohibition can be enforced when banking is a federal matter for policy and legislation, has to be examined. The suggestion may be considered by the Committee which drafts the Bill.

DEWAN.)

Mulk
2/11/32

89
I must leave this matter to be dealt with by the acting Dewan, as I have absolutely no time to study the question & record my views before I leave for Europe.

[illegible]
4-11-32

90 The Fl Secy will please discuss this with me

Mulk
6.11.32

91 As per personal instructions, I herewith enclose a note prepared by Mr. K. Guru Dutt in regard to the Banking Legislation in various countries. It will be seen therefrom that

Flg 9

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that in countries like America the legislation for Central Banks involving the issue of Notes etc., will be within the province of the Central Government, while legislation to control ordinary commercial banking is within the purview of the State authorities and each State has got its own rules. The Banking Enquiry Committee in British India have held that legislation for controlling the operations of ordinary commercial banks is necessary and that in preference to embodying rules in this behalf in the ordinary Companies' Act it is better to have an independent Bank Act. They have also enumerated the subjects which ought to find a place in such Act and have also mentioned matters which may be included in the Articles of Association of the respective Banks. Vide items 193 to 196 on pages 517 to 520 of the Banking Enquiry Committee Report.

2) According to the Round Table Conference, Banking and Insurance is to be Federal for policy and legislation (vide page 647 of the Federal Structure Sub-Committee proceedings of the Indian Round Table Conference, Vol.I -- November 1930 to January 1931).

3) In these circumsrances, we may, I think, wait to see what legislation is going to be introduced in British India before taking action to appoint a Committee and prepare a Draft Bill for Mysore. There is, however, sufficient material in the Bentral Banking Enquiry Report mentioned above, for preparing a Bill if ~~necessary~~. it is considered that we may appoint a Committee at once & prepare a Draft Bill.

4) If this subject is thus deferred as also the subject of putting the Mysore Bank on a Statutory Basis,

NOTE—Contn. Sheet.

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19 JAN. 1933 CENTL. & REV. SECTT.

OFFICE OF THE FIRST MEMBER 20 JAN 1933 No. 4648

the points on which action has to be taken immediately will be (1) to continue, with modifications, the present contract with the Bank of Mysore for a period of 3 years, (2) to ask the Comptroller in consultation with the Bank to transfer specific items of treasury work to the Bank which could be conveniently done under present conditions and (3) to sanction the introduction of the Industrial Section of the Mysore Bank on the lines indicated and to ask the Bank to introduce the same and to raise the necessary capital etc., on the lines recommended by the Banking Committee.

First Member.)

19.1.33

95

In the circs stated above it is desirable to await some time for settling the question of special legislation for the regulation and Control of Banking in Mysore.

96 The present Contract with the modifications proposed may be continued for three years more with the Consent of the Bank.

97 Such items of treasury Work as can be entrusted to the Bank may be transferred subject to Safeguards necessary in the absence of special legislation

98 As for ministerial finance we may for the present see if the amount to be provided by Govt annually may be limited to the provisions being made in the budgets. The agency for Consideration of applications may be that recommended by the Committee and the Scheme recommended by it may be worked for some time on the Scale of transactions hitherto directly

General and Revenue Secretariat

File No. 2204/H of 193

Serial No.

No orders seem to have been passed on the C.B.E. Report. Authentic information has to be got either from the Residency or from the D.D. Office Govt. of India.

1-8 Submitted a draft to the Residency (The Mysore Bank has no information).
28/7.

1 For approval.
H Secy) 28/7/33

1C Letter first write demi-officially to the Manager Bangalore of the local Govt Imperial Bank & ask for.
28.7.33
28/7/33.

TYPING SECTION
31. JUL. 1933
GENL. & REV. SECT.

111 Drafted accd
29/7

112 For appl.
H Secy) 29.7.33

113 Issued
29.7.33.

No 2E 684-5 of 1.8.33 to the Manager, Bank of Mysore, Agent, Chartered Bank, Imperial Bank of India, Bangalore enquiring if possible if such loans have been given on the C.B.E. Reports & Reports for a Copy of the same.

NOTE—Contn. Sheet.

Secy.
1/8

WD 70—GBPM—60,000—13-8-31

30

2206

G.7 File No. 192 of 1931. | General and Revenue Secretariat

Letter No. M.150 dt 2-8-33 from the Manager, Bank of Mysore.

States that he is not aware that the Govt. of India has passed orders on the Central Banking Enquiry Committee's Report.

Submd. for perusal. Reply from the Agent, Imperial Bank India, Bangalore will be awaited.

11/8 yes.

11/8 For perusal.

H Secy) 11-8-33.

17 AR 12.8.33

No 6108/14.8.33 from the Agent, Imperial Bank of India states that he has no information.

11/8 Subd. Reference Devan's order at para 105. Order do not seem to have been passed on the C. B. E. Report.

11/7 Meantime, the Report of the Committee on the Indian Reserve Bank Legislation has brought out its Report, which is published in the Hindu dt 16.8.33 put up herein.

12= There are some salient features in the Report meriting attention here in reference to the Mysore Bank. Some of them are. Constitution of the Board of management, Govt. nomination on the Boards,

Serial No.

DEPARTMENT OFFICE
1521
5. AUG. 1933

the maximum Holding of Share Capital, etc.

There are other allied questions which can only be considered when a Legislation is contemplated.

12-8 The final bill of the Reserve Bank is proposed (Vide Memo) to be introduced in the Assembly by the end of Septr.

Subject for order whether the new Agreement may now be taken up to the exclusion of other questions, as suggested in para 120 of note ante.

SKW 28/8 122. The draft is put up ahead as in file.

123 H Secy) 23/8/33

124 The question of the general revision of the terms will, I am afraid, have to be considered when the provisions of the Reserve Bank Bill become a fait accompli. It is not known what ultimate form the legislation on this account might take.

In the meanwhile, as the Govt of India have not yet passed any orders on the Banking Enquiry Committee Report, the draft ahead may be taken up for consideration.

For orders.

AWD

25-8-33

Dewan)

25/8/33

NOTE—Contn. Sheet.

32

File No. 617 of 193 . General and Revenue Secretariat

125 What has first to be settled is the renewal of the agreement with the Bank. If there are any points on which consultation with the Bank is necessary please take prompt action for settling them. A general order on the Committee's report may be issued but it is necessary to refer in it to the renewed contract with the modifications recommended by the Committee and accepted by Govt and the Bank. Sme 25/8/33

Send arts a draft to the Bank. Today AG 26/8/33

The Agreement as at A1, with the modification of 3 years ag amth clause 9 as suggested by the Compli ~~adopted at para 96 above.~~ 26-8-33.

The suggestion of the Compli against Clause 8 is perhaps best not pressed. As the unanimous decision of the Committee were there be objection, the Bank may demur.

26/8 WO 29/8

127. H Secy) 29/8/33.

128 Issue AG 29.8.33

30/8/33

No H 1175 of 31.8.33 to the Manager, Bank of Mysore forwards as drafts Agreement & calls for the Bank's opinion.

30 AUG 1933

31/8 WO 31/8/33

Reserve Bank Committee Reports

33

General and Revenue Secretariat | File No. | of 193 | [App. F. III—2

Serial No.

1 No M. 311 & 318-33 from the Manager, Reserve Bank suggests certain modifications to the draft Agreement.

A[1]

129 1) The Manager wants to add the words "if convenient to the Bank" after the word "Agreement" in clause 9 of the Agreement. There is perhaps no harm and the modification may be adopted, particularly as we change '5 years' to '3 years'.

130 2) The manager considers a change necessary in clause 8 relating to interest on current minimum balances, with reference to recent orders. Lowering the interest to 1½ per centum. This sanction is but a temporary one necessitated by extraordinary conditions followed by abnormal money conditions.
The Agreement that is intended to subsist for a fairly long period should but be with reference to the normal Conditions.
If a change in the rate of interest is considered necessary, it may be ~~adopted~~ for some by a special requisition and a separate order of Govt.
For the matter of that, the recent

NOTE—Contn. Sheet.

File No. 02 S-G 2 of 193 .

General and Revenue Secretariat

Q. 7 145-32-2 flg Y

Reduction to 1½ per Centum was made in that manner, though the Agreement in force contained a different stipulation. 131. This aspect will be pointed out to the Manager

Submitted with a Draft.

9/9

132 Jt Secy) 9.9.33.

133. Yes. Print & send

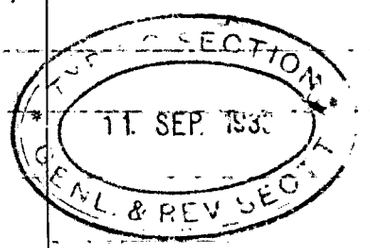
9.9.33

134 Early

11.9.33

135 Issue draft

11.9.33



No. Jt 1746 dated 12th September 1933 to The Manager, Bank of Mysore, Ltd, Bangalore requesting to intimate ~~Communicating appro~~ approx The acceptance of the Bank to the draft Agreement with the modification suggested in the letter.

No. M. 390 dated 13-9-1933 from The Manager, Bank of Mysore Communicating the acceptance of the Bank to the draft Agreement -

13. Submitted for ~~approval~~ order with a draft govt order accepting the revised Agreement

Jt. Secy

15/9

15/9/33

3-10-33

35 5

General and Revenue Secretariat | File No. | of 193 | [App. F. III—2

Serial No.

To Comptroller with Compliments In formal & draft order & Suggestion if any

A. Rajamani
4-10-33

COMPTROLLER'S OFFICE
No. 180/Bks
4 OCT 33
Books
BANGALORE.

U.O.No.480/Books dated 12th October 1933.

Seen and returned with compliments.

An order has to be passed on the report of our Committee. The present draft does not deal with all the recommendations in the report. Something has perhaps to be said about them in the order.

The changes proposed in the present agreement are few. It may be enough to say that the existing agreement will continue in force for 3 years from 1st October 1933 with the x alterations hitherto introduced.

Most of the Securities held by Government are in the shape of Stock Certificates and interest warrants are received direct from the Public Debt Office. There appears to be no necessity to send our Securities to the Mysore Bank for safe custody.

Clause 9 may be omitted as the Bank will certainly be not willing to pay 5 percent interest on Rs 5 lakhs deposited for less than 3 years, when it xx has itself deposited large sums in the Government Savings Bank Fixed Deposit account at 4 per cent.

M. Venkatesaiyengar
Comptroller
12/10

Ro. 197/Sec
13/10/33
Separate draft submitted
2

This has been approved by the Committee
12

This has been accepted by the Committee
FINANCE
13 OCT
No.
13

CV

NOTE—Contn. Sheet.

36 Mysore Bank Committee Report

File No. Ble of 193 . | General and Revenue Secretariat

143 Two drafts are submitted for approval (one regarding the agreement and the other regarding the recommendations of the Committee).

Subd to Fy: Secy

17-10-33 IW 19/10

144 Refer para 125

Drafts for approval Council case (may be disposed of by circulation)

AD 20/10/33

Dewan)

21.10.33.

DEV. 2605 21 OCT. 1933

145 As directed by the Dewan, the printed memorandum of the terms of agreement of Baroda Government with the Bank of Baroda was gone through.

The concessions noted in para 2 (a) of the above ~~Baroda~~ Memorandum regarding ~~Concession~~ Deposits have already been allowed by us to the Mysore Bank, to the extent that has been found possible.

The principle of Devolution of Treasury work to the Bank wherever it has Branches, referred to in para 2 (b) of the same memorandum has not been fully adopted by us so far. So too, the practices indicated in paras 3 (a) and (b) of the Baroda Bank agreement memorandum regarding the holding of temporary investments of Government in the shape of Fixed Deposits in the Bank and Trustee investments had not obtained with us in our relations with the Mysore Bank. They raise questions of financial policy, before adopting which it will be necessary to have legislation calculated to safeguard Government interests.

Among the terms set forth in the Baroda Memorandum, the only one that may be considered now by us with reference

Mysore Bank Committee Report

(37)

General and Revenue Secretariat | File No. of 193 .

Serial No.

reference to the Mysore Bank is whether it would be practicable now to strengthen Government control over the Bank by appointing nominees of Government on the Board of Directors.

149 The Gaekwar's Government wish to have two Directors on the Board, only one of whom will be a Government official while the other will be a prominent gentleman in touch with Industrial and Commercial conditions, to be nominated by Government.

150 It is not desirable to associate a Government Officer as qua-Director under present conditions as the effect will be ~~to~~ indirectly to invest, in the eyes of the public, the acts of the Directorate with the seal of Government approval. I invite reference in this connection to para 21 of the recent Bank Committee's Report. They have held that such a nomination is not necessary at present and that the question may be examined by an Expert Committee along with that of a proper Legislative Enactment.

151 If, however, in the interests of the general public it is considered necessary that a prominent non-official gentleman may be nominated by Government on the Directorate in view of the concessions allowed to the Bank by Government it may be done so. The Articles of Association of the Mysore Bank will have to be amended suitably to provide for such nomination, and such amendment will have to be brought before the Board of Directors in the first instance and later on ratified by the General ~~Boney~~ Body of shareholders.

152 As regards the right of veto on the appointment

NOTE—Contn. Sheet.

(38) Reserve Bank Committee Report,

File No. 998 of 193 | General and Revenue Secretariat

DEWAN'S OFFICE 3048 10. NOV. 1933

appointment of the Manager, Government are possessing that right at present and no further action is called for in this direction.

It is also necessary to consider at a very early date the introduction of necessary legislation to implement the other considerations that may arise in the relationship between the Mysore Bank and Government on the advent of the Reserve Bank.

It is observed that the Mysore Bank is included in the list of Scheduled Banks ~~and~~ in the proposed Reserve Bank Act. What the position of a Schedule Bank will be vis a vis the Reserve Bank will have to be ascertained before it is decided to place the relationship of the Mysore Bank with Government on a statutory basis.

All things considered, it is believed that if Government secure the right to nominate a non-official gentleman in whom they have confidence to the Board of Directors, Government control over the Bank would be placed on a slightly better basis than at present. The passage of the Reserve Bank Act ~~in~~ through the Assembly will be watched.

Submitted for orders.

D E W A N).

10.11.33

10/11/33

To be considered in Council

10-11-33

Chief Secretary with compliments

15.11.33

15/11/33.

Submit with a circular memo.

16/11).

D.O.No.C133
1 file

Ballabrooie,
Bangalore, 14th November'33.

My dear Mirza,

In returning herewith your file on the subject of the Report of the Bank Committee, I beg to say by way of preface that I do not profess to know anything about the specialised subject of banking and that I have had no time for the careful study which the file requires. I have addressed myself only to one question which you mentioned in your d.o.letter of the 10th, namely, the representation of Government on the Board of Directors.

As regards this, Mr.M.N.Krishna Rao has noted in paragraph 87 of the notes "The present and proposed contracts with the Bank provide for Government approval to the appointments of persons proposed for the places of the Chairman of the Board of Directors of the Bank, the Manager and the Deputy Manager." It seems to me that everything depends on how this provision is worked. The Government can at one extreme approve any nominations that are put up to them to which there is no obvious objection. At the other they can refuse to approve

anybody but their own particular selections. On the whole I think it ought to be possible to work the rules so as to secure all that is required, that is to say, to establish a convention under which, on a vacancy arising in any of the three offices, the matter should be discussed with the Government before any nomination is made, and when the officers are appointed, to keep constantly in touch with them. If the Government secure the appointment of the Chairman and a Manager who are alive to their interests and will consult them in cases of difficulty, they may be even in a stronger position than they would be if they nominated Government Directors who were in a minority.

Yours sincerely,

E Edmonds

39

(For Disposal at a Meeting)

No. C. 125

9 1937/4

GENERAL AND REVENUE SECRETARIAT.

Council Matter.

Subject

(clause xii of the schedule)

Report of the committee appointed to formulate proposals for developing the Bank of Mysore.

15/6 *Circulated to the Members of Council.*

By Order,

R. Rangachar

16th November 1933.

Chief Secretary to Government.

3854/17/11 **First Member of Council.** 15/9 16/11/33

32000/30/11 **Second Member of Council.** 16/11 1/12

125 (401)

Extract from the Proceedings of the 911th *Meeting of the Council of His Highness the Maharaja, held at Bangalore on the* 14th December 1933. *19*

21. Subject. Clause xii of the schedule.

Report of the Committee appointed to formulate proposals for developing the Bank of Mysore.

OPINION OF THE COUNCIL.

161 **The draft in the file may be approved.**

(Sd.) MIRZA M. ISMAIL,

DEWAN.

162 Financial Secretary, with compliments.

16/12

"EXTRACT"

Chief Secretary to Government.

WD 1471—GPB—2,000—1-3-21

Nepaore Bank Committee Report (41)

[App. F. III—2

General and Revenue Secretariat | File No. 998 of 193

Serial No.

Recd. 18/12

DEWAN'S OFFICE 4032 DEC. 1933

16 Reference.

Orders in Council and A.D.S.N. is subs for Orders.

SKW 18/xii

17) For approval.

H Seey) 18/12/33.

18 [illegible] 20/12/33.

To. The Typing Section for kindly sending a typed copy of the D.S.N.

19) With a typed D.S.N.

SKW 20/xii

(20) Dewan) 21/12

21.12.33.

22-12-33

[illegible] I.C.S. [illegible] REVS

NOTE—Contn. Sheet.

WD 70—GBPM—60,000—13-8-31

Submitted to His Highness.

171 These papers relate to the Report of the Mysore Bank Committee appointed to advise in determining the future relationship between the Bank and Government.

172 With the concurrence of the authorities of the Bank, a Committee was appointed in Government Order No.Fl.3800-860/G.F.29-28 dated 3rd December 1931 consisting of three representatives of the Bank and three Government officers to study the material furnished in the Central Banking Enquiry Committee Report and the recommendations made therein, to examine how far they are applicable to the conditions in Mysore, and finally to formulate proposals for developing the organisation and expanding the operations of the Mysore Bank in close association with Government for the general improvement of Banking service in the State.

173 The Committee was reconstituted in Government Order No.Fl.7150-7199/G.F.192-31-11, dated 19th March 1932.

174 The Committee has submitted their report and their recommendations are classified under two headings:-

(1) Future constitution of the Bank and its relation with Government;

(2) Development of its organisation and expansion of its operations.

The chief recommendations under item 1 are:-

(1) Transfer to the Bank of certain items of Treasury business, such as payment of pensions, pending the eventual transfer of treasury work as a whole;

(2) Promulgation of a Special Bank Act by way of legislation and the appointment in the meantime of an expert committee, consisting of representatives of both the Government and the Bank to study the developments in British India and to work out the general lines on which Banking Legislation might ultimately be undertaken with special reference to the conditions in Mysore.

(3) Continuance of the relationship on the present contractual basis for the present by a renewal of the existing Agreement with certain minor changes; and

(4) Representation of Government on the Board of Directors of the Bank to be further examined by the Committee proposed in item 2 above.

175 Under Development of the Bank's organisation, the Committee have recommended the opening of a separate Industrial Section, as an adjunct to the Bank for dealing with accommodation to Industries. They have indicated the general lines on which the scheme could be worked.

Paragraph of Office Notes 176 The whole report was considered in Council who have resolved that for the present orders may be issued as in the drafts put up. The draft No. I deals with the recommendations other than those relating to the Agreement, and it is proposed therein to reserve the question of Industrial Finance for a separate detailed examination. The draft No. II indicates the changes with which the existing agreement is proposed to be renewed.

177 I solicit gracious approval of His Highness to the line of action proposed.

Mirza M. Ismail

Bangalore,)
23rd December 1933.)

D E W A N.

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.

Draft Government Orders on the Report of the Mysore Bank Committee.

332

Order.

~~KRW~~

26/12/33

C 125.

General and Revenue
Secretariat

Subject. -

Draft Government Orders on the Report of the Mysore Bank Committee.

(*)

31. All urgent or confidential files returned with His Highness' orders may in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circulated to the Members of Council at Head-quarters and then sent to the Secretariat concerned for the issue of orders.

Circulated to Members of Council for perusal of His Highness' orders before/after issue of orders.* (*Vide Rules* 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure.)

Chief Secretary to Government.

Through the Secretary to Government,

.....Department.

FIRST MEMBER OF COUNCIL. (H Scott 29/12)

SECOND MEMBER OF COUNCIL.

Spot
29/12
Financial Secretary
W Govt. with Compliments

NOTE.—Contn. sheet.

Serial No.

May the drafts in the file issue in print?

WW
2/1/34

H Seey) 2.1.34.

Yes - The order re Bank ~~Agreement~~ the Agreement shd be Confidential

2/1

No EE 3685-745 dt 6.1.36

To the Members to Board of Mysore
" Committee
" Secy's to Govt and Heads of Depts
and By Cours

A Copy of the Mysore Agreement with the Mysore Bank

No EE 3746-810 dt 6.1.36

To the Members of the Committee
" Secretaries to Govt
" Heads of Depts by Cours for info
" Members Mysore Bank

Passes orders on the recommendation of the Bank Committee

PS
WW
3/1/36

WD 0434—GPB—15,000—12-10-33

Immediate

Appendix F G—1]

SUBJECT .....

.....

.....

Section C. 7.

File No. 192-31

Serial No.

Diary No. of letter replied to .....

No. H. 9201 /Report.

To The Superintendent.

Government printing, Bangalore

Sir,

I am directed to send herewith a copy of the Report submitted to Government by the Committee appointed in G. O. No. P.R. 7150-7199/G.S. 192-31, dt. 19-3-32, and to request you to kindly have the matter set in type and two clean proofs of the same sent for approval as early as possible.

I have etc.,

for Secretary to Govt.

General and Revenue Secretariat

( )

the 193 .

Date of issue 29/6/32

Signed by Mr. A. Subba Rao

List of enclosures .....

Copied by .....

Examined by .....

WD 71—GBPM—40,000—20-7-31.

Appendix F G—1]

Immediate

SUBJECT .....

.....

.....

Section G.7

File No. 192-31

Serial No.

Diary No. of letter replied to .....

No. Fl. 9202/ Genl Report.

To The Manager,
Bank of Mysore Ltd.
Bangalore,

Sir,

I am directed to forward herewith a copy of the Report submitted to Government by the committee appointed in G.O. No. Fl. 7150 - 7199/G.F 192-31-1 dated 19th March 1932 and to request you to ~~to~~ intimate to Government if the authorities of the Bank endorse the views of their representatives on the Committee.

I have etc

for Fl Secy to Govt

General and Revenue Secretariat

( )

the 193 .

Date of issue 29/6/32

Signed by M R A Subbarao

to formulate proposals for developing the organisation of the Mysore Bank

List of enclosures .....

W

Copied by .....

Examined by .....

WD 71—GBPM—40,000—20-7-31.

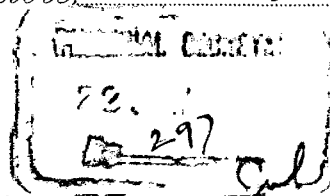
The Bank of Mysore Ltd.

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."

ALL COMMUNICATIONS TO BE ADDRESSED TO THE MANAGER.

No. M.79

Bangalore 21st July '32.



The Financial Secretary to the
Government of His Highness the
Maharaja of Mysore, Bangalore.

Dear Sir,

With reference to your letter No.Fl.9202 of the 29th ultimo forwarding a copy of the Report submitted to Government by the Banking Committee, I beg to enclose herewith a copy of the Resolution passed by the Board of Directors of the Bank at their meeting held on the 20th instant,

Yours faithfully,

T.R. Ramamani

Encl: 1

AG.MANAGER.

Copy of resolution passed by the Board of Directors of the Bank of Mysore, Ltd., at their meeting held on the 20th July 1932.

"Read letter No.Fl.9202 dated 29-6-32 from the Financial Secretary to Government, forwarding a copy of the Report submitted by the Banking Committee and calling for the opinion of the Board thereon.

It was resolved to reply to the Financial Secretary that the Board are generally in agreement with the recommendations made by the Banking Committee.

The Board wish to record their appreciation of the care and thoroughness with which the enquiry was conducted, and they offer their thanks to the Members of the Committee for the satisfactory Report.

Sir K. P. Puttanna Chetty and Mr. B. K. Garudachar, being signatories of the Report, did not take part in voting."

'COPY'

AG.MANAGER.

OFFICE
FIRST SE...
22 JULY 1932
No. 561

THE SPECIAL OFFICE,
General and Revenue Secretariat

D. O. No. Spl. 42/Cmtte. Mgt'S

Dated, Bangalore, 22nd July 1932.

DEWAN'S
25. JUL. 1932
CHIEF SECRETARY
22 JULY

FINANCIAL
R97
22 JULY 1932
GENL. & REV. SECTT.

Dear Mr. Shamanna,

I enclose herewith Sir Puttanna Chetty's letter giving cover to a copy of the Resolution passed by the Board of Directors of the Bank of Mysore Ltd., agreeing generally with the recommendations made by the Banking Committee. I presume the letter has been addressed to me as Convenor and I am therefore forwarding it to you for favour of necessary further action.

Yours sincerely,

To

S. Shamanna, Esq., B.A.,

(Ag) Financial Secretary to Government of Mysore.

297
7c

3 Sub to Secretary
after

1a
25/7/32

4 Md
25-7-32
a

The Bank of Mysore Ltd.

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."
CODE – 5TH EDITION A.B.C.

ALL COMMUNICATIONS TO BE ADDRESSED
TO THE MANAGER.

No.....

Bangalore 21st July 1932

Dear Mr Srinivasiengar

I send herewith for your information a copy of the resolutions passed by the directors of the Bank of Mysore, expressing their opinion on the recommendations made by the Banking Committee. This testifies the friendly attitude of the Bank towards our recommendations. It now rests with Government to give the finishing touch to the Report.

Yours sincerely
B Thammanshetty

Copy of resolution passed by the Board of Directors of the Bank of Mysore, Ltd., at their meeting held on the 20th July 1932.

"Read letter No.Fl.9202 dated 29-6-32 from the Financial Secretary to Government, forwarding a copy of the Report submitted by the Banking Committee and calling for the opinion of the Board thereon.

It was resolved to reply to the Financial Secretary that the Board are generally in agreement with the recommendations made by the Banking Committee.

The Board wish to record their appreciation of the care and thoroughness with which the enquiry was conducted, and they offer their thanks to the Members of the Committee for the satisfactory Report.

Sir K. P. Puttanna Chetty and Mr. B. K. Garudachar, being signatories of the Report, did not take part in voting."

'COPY'

Thirumalachary

AG.MANAGER.

ajasevaparayana
ASIENGAR, Esq., B.A., B.L.,
I Secretary to Government.
(on Special Duty)

22nd July 1932

Dear Sir,

I have much pleasure in acknowledging receipt of your kind letter of the 21st instant giving cover to a copy of the Resolution passed by the Directors of the Bank of Mysore Ltd., on the recommendations made by the Banking Committee. It is a matter of great satisfaction to me personally ~~to~~ note that the Board of Directors are generally in agreement with the recommendations made by the Committee.

I trust that the Government will deal with the matter sympathetically. With kind regards

Yours sincerely,

C/C

To

Rajasabhabhushana Diwan Bahadur

Sir K.P.Puttanna Chetty,Kt.,C.I.E.,

Retired First Member of Council &

Chairman, Board of Directors of the
Bank of Mysore, Ltd.,Bangalore.

Appendix F G—1]

SUBJECT .....

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Section

File No.

Serial No.

Diary No. of letter replied to .....

No. FC 591

To The Manager, Bank of Mysore
Kolar

General and Revenue Secretariat

( )

the *193* .

Date of issue 29/7/32

Signed by .....

There is a separate M.S. letter issued to Peter from the Bank. This is kept to him.

FK 29/7

Sir,

I am directed to acknowledge with thanks the receipt of your letter No. M.79 of 21st inst., giving cover to a copy of the Resolutions of the Board of Directors on the Bank Committee's report and to state that Government are glad to learn that the Bank is generally agreeable to the recommendations of the Committee.

Yours

List of enclosures .....

Copied by .....

Examined by .....

FK WW 29/7

Asst Secy for Secy

FINANCIAL
5 SEP. 1932
766/78
GENL. & REV. SECTT.

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT
OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

No. 373/Books. *Bangalore, dated* 2nd September *1932.*

FINANCIAL
5 SEP 1932
No.

From

M. VENKATESA IYENGAR, Esq., M.A.,
Comptroller to the Government of
His Highness the Maharaja of Mysore,
Bangalore.

1) Submit to member for
2) Remind Director for his opinion
3) If member approves,

To

S. Shamanna, Esq., B.A.,
Financial Secretary to the Government of Mysore,
Bangalore.

We will see what is to be done with the proposal to increase interest on minimum balance

Sir,

With reference to your letter No.Fl.1156-7/G.F.192-31 dated 26th August 1932 calling for my remarks on section III of the Report of the Committee appointed to formulate proposals for developing the operations of the Bank of Mysore etc., I have the honour to enclose herewith a copy of the report in which my remarks are noted against each suggestion.

I have the honour to be
Sir,
Your most obedient servant,
M. Venkatesa Iyengar
Comptroller.

KH)

REGULATION OF BANKING.

*. In England apart from the Companies' Act there is no special enactment for the regulation of the business of banks, but the purpose of legislation in matters not specifically provided for by this Act is there served by the tradition convention and case law that have grown up as the result of the experience of generations. But in new countries with undeveloped economic resources and large areas to serve, legislative measures are essential and can be justified upon grounds of public policy. This was the experience of the U.S.A, Canada, etc where there are special and general Banking Laws which have been briefly described supra (para.6.). With reference to India the C.B.E. Committee recommended the promulgation of a special Bank Act, including and augmenting the provisions already existing in the Companies' Act. This would have in its purview all joint stock banks, while the Central Reserve Bank would be constituted under a separate Act.

2. With regard to a scheme of federation the system obtaining in the U. S. A. is of great interest, although it stands by itself and is in the nature of a unique experiment. It is however to be noted that there as in other countries legislation has specially been with reference to issue of notes and has been closely linked up with currency problems. In the U.S.A. all the first banks had right to issue notes. This lead to excessive credit and collapse, and the states one by one had to introduce legislation to control their incorporation and working. There were no Federal laws at this stage. The inconvenience of this system of different note issues in different States was sought to be remedied in 1863 by

by the creation of the National Banking System. By this a compulsory market was created for the Government bonds by offering special privileges to banks organised under Federal Charters which would issue notes circulating throughout the Union. The State banks were driven out of the note-issuing business by the simple expedient of a tax of 10% on their notes. They were thereupon converted either into national banks or merely into banks doing ordinary commercial business.

3. But banking and currency difficulties were not all solved and above all there was lack of general financial coordination. To remedy this the Federal Resrve Act was passed in 1913. All the National Banks were compelled to become members of the twelve District Reserve Banks newly started, the whole Union being subdivided into 12 districts. These Reserve Banks worked under a Federal Resrve Board with plenary powers, the members of which were the Secretary to the Treasury and Comptroller of the Currency ex officio, and five members nominated by the President of the U.S.A. by and with the consent of the Senate. This Board was assisted by an Advisory Committee of 12 members, one representing each District Reserve Bank. The scheme was a sort of decentralisation of the European system of Central Banking. The District Reserve Banks were independent of one another and their functions similar to those of ordinary Central Banks except that they do not transact business for the general public as a rule although they are allowed to engage in open market business like buying and selling cable transfers, bankers' acceptances, commercial bills etc under prescribed rules. Their powers over their constituent banks were also very wid

Thus it is seen that the Federal Reserve System avoids the concentration of credit in a single institution while retaining sufficient machinery to mobilise the aggregate resources in any emergency.

4. We come now to the Banks and Trust Companies which do banking business which are constituted under the State Laws. These laws vary from State to State. These laws in general provide for governmental control in all important directions. e.g. (1) Minimum amount of capital, depending on field of operation, which must be subscribed before incorporation; (2) Reserves to be built up; (3) Restrictions on directors; (4) Cash reserves to be maintained; (5) Limits on the nature and maximum amount to be advanced to each individual person, corporation or firm; (6) Restrictions on investments and on advances against immoveable properties; (7) Power of periodical examination by Government officers; (8) Publicity of accounts.

5. From the foregoing summary it will have been observed that Great Britain and the U.S.A represent, as it were, opposite poles in banking practice. The practice in other countries lies midway between these two, and will be described later. For the present it may be stated that for Mysore the elaborate arrangements involved in ~~connection with~~ Federal Reserve Banking are wholly beyond our scope. What is required immediately is some legislation providing for points mentioned para (4) above. This will be unaffected by what ever Federal arrangements may be evolved in India in course of time. The provisions proposed to be included in the Act by the C. B. E. Committee are enumerated in item (196) of the summary of recommendations. (Page 518 et seq). They are suitable for Mysore, with suitable modifications. Vide also (193)

6. We may now proceed to examine the practice prevailing in the Colonies etc.

Australia. The functions of a Central Bank are discharged by the Commonwealth Bank established in 1912. Till 1920 it had no power of note issue, but in that year the power was conferred on it by an Act. The present constitution and powers and functions are based on the Act of 1924. There is no comprehensive banking law for Australia. All States have the power to legislate for banking. Acts dealing specially with banking refer in the main to minor matters, but the Companies' Acts provide in varying measure for the regulation of banking. There are no statutory provisions regarding the proportion of reserve to liability and no limitations are imposed upon the investments a bank might make. Under the Victorian Act of 1918, which is the most comprehensive State Act, advances may be made against lands, houses, ships or pledges of merchandise, but this power is used only with the utmost caution by bankers.

Canada. The system is a curious contrast to that of the U.S.A. where branch banking is not in favour. On the other hand in Canada there are few large banks with hundreds of branches scattered all over the continent.. Another noteworthy point is that there is no central reserve bank of any kind in Canada. The issuance of bank notes and commercial banking functions are concentrated in the hands of ten chartered banks, which operate under the law of the Dominion to which the British North America Act gave exclusive authority for the regulation of currency and banking. Provincial legislative bodies were estopped by this from the creation or incorporation of banks of discount or deposit.

South Africa. The Bank Act of 1917 was the first piece of legislation applying to the whole Union, requiring all banks to furnish certain statements of information in the prescribed forms. The Currency and Banking Act of 1920 deprived all banks of their note issue privileges, and established the South African Reserve Bank which is the Central Bank for the whole Union. The Act was amended in 1923. Now banks are not required to subscribe to the capital of the Reserve Bank compulsorily. They are however required to maintain certain reserves there. There individual laws in the various States which had been enacted prior to Union legislation which are still in force. In conclusion it may be noted that there are only five commercial banks in the whole Union of which two are British, and one Dutch.

Japan. The National Bank Act of the United States was copied here in 1872. This was terminated in 1882 by the founding of the Bank of Japan and centralising note issue in its hands. It may be stated that there are special acts in Japan for each type of bank. The Bank Act of 1927 regulates the working of all ordinary commercial banks. It contains 47 articles, and they are strict like corresponding legislation in the U.S. All points noted in para (4) above are duly provided for in this Act.

Switzerland. Other than the Act of 1905 establishing a Central Bank there are no general banking laws in Switzerland. Each Canton has its own separate Bank Act.

7. Provisions which should find a place in the general Bank Act have been referred to and will be found in the ~~Appendix~~ C.B.E.R. p.518. Special provisions relating to the Bank of Mysore presuppose certain privileges to be conferred, and certain restrictions and obligations to be imposed as a consequence. The principal privilege conferred elsewhere is that of note issue, which is of course out of question here. Next comes the handling of the larger portion of the Government's cash resources as is done by the Imperial Bank. The Committee which submitted its report in June 32 considered this question fully and came to the conclusion that it was not within the range of practical politics in the near future. The handing over to the Bank of the State Loan work was also considered premature at this stage. In view of this, special legislation with particular reference to the Bank of Mysore does not appear to be called for. The relations between Government and the Bank as they are at present can very well rest on a contractual basis- with a revised Agreement a draft of which was submitted by the Committee

8. As for the question whether Banking Legislation should be part of the Companies' Act or separate, the C. B. E. Committee have unhesitatingly held that there should be specific legislation. Certain important points have been proposed to be included viz. P. N. O. the articles of association at loans (vide at No. 193) & left out of the Act proper.

29/11/32.

REPORT OF THE COMMITTEE APPOINTED TO FORMULATE PROPOSALS FOR DEVELOPING THE BANK OF MYSORE WITH A VIEW TO EXPAND ITS OPERATIONS.

PUBLIC OFFICES,

Dated, Bangalore 23rd June 1932.

K. GURU DUTT, ESQ., B.A.,
Secretary, Banking Committee.

To

THE FINANCIAL SECRETARY TO GOVERNMENT, BANGALORE.

SIR,

With reference to Government Orders No. Fl. 3800-860—G. F. 29-28 and Fl. 7150-7199—G. F. 192-31- , dated 3rd December 1931 and 19th March 1932 respectively (reproduced as Appendix 'A') appointing a Committee to formulate proposals for developing the organisation of the Mysore Bank with a view to expand its operations in close association with the Government for the general improvement of banking service in the State, I am directed to submit the following report.

2. The Committee appointed in the G. O. of 3rd December 1931 was not able to meet for unavoidable reasons; and after its reconstitution in March 1932 with the marginally noted personnel, sittings were commenced on 4th April 1932 and closed on the 4th June 1932. There were in all eight meetings. On the 4th and 18th April, the Committee met at the Public Offices, Bangalore, and later at the Mysore Bank Buildings. The full Committee met throughout the sittings except on 6th May when Sir K. P. Puttanna Chetty, being absent from the Station, could not attend.

REPRESENTATIVES OF THE BANK.

1. *Rajasabhabhushana Diwan Bahadur* Sir K. P. Puttanna Chetty, Kt., C.I.E.
2. Mr. B. K. Garudachar.
3. Mr T. M. S. Subrahmanyam.

OFFICERS OF THE GOVERNMENT.

4. *Rajasevaparayana* Mr. B. Sreenivasa Iyengar, B.A., B.L., Financial Secretary, (*Convenor*).
5. Mr. S. Shamanna, B.A., (Comptroller).
6. Mr. N. Rama Rao, B.A., B.L., Director of Industries and Commerce.

SECRETARY.

Mr. K. Guru Dutt, B.A., Assistant Comptroller.

3. The Secretary, Mr. K. Guru Dutt was absent on privilege leave from the 22nd April to 5th June during which period Mr. N. Madhava Rao, Assistant Comptroller acted as Secretary to the Committee.

4. The Committee was asked to report within a period of four months, but this elapsed before it was reconstituted. Within the time available, the Committee has endeavoured to complete its investigation of the subject referred to it and reach conclusions with the greatest common measure of agreement between the representatives of the Bank and the Officers of Government.

5. I am now directed to forward the accompanying Report of the Committee for the consideration of the Government. The Report is submitted in duplicate and it is requested that a copy of the same be kindly forwarded for the information of the Mysore Bank.

6. The Report consists of three Sections. Section I gives a brief survey of the progress of the Mysore Bank, Section II deals with the events leading to the formation of the Committee and the terms of reference and Section III embodies the results of the investigation by the Committee and its recommendations.

7. While submitting its report, the Committee desires to place on record its appreciation of the valuable help rendered by the Secretary, Mr. K. Guru Dutt, in preparing the material for consideration, abstracting the proceedings of the meetings and in drafting the final report. The acknowledgments of the Committee are also due to Mr. N. Madhava Rao, Assistant Comptroller, and the staff who have ungrudgingly placed their services at its disposal.

I have the honour to be,
Sir,
Your most obedient servant,
K. GURU DUTT,
Secretary, Banking Committee.

REPORT.

SECTION I.

Brief Survey of the Progress of the Mysore Bank.

The need for a Bank conducted on approved modern lines for mobilising the savings of the people and making them available for the development of trade and industries in the State had long been felt and the Bank of Mysore Ltd., was established in 1913 under the auspices of Government, with an authorised Capital of Rs. 20 lakhs.

2. The Institution has, thanks to the efforts, care and vigilance, of its directorate and management, and also the support which it has received from the public, justified the expectations formed of it. The Bank's Capital has been fully subscribed, a Reserve Fund of an equivalent amount has been built up and deposits have flowed into the Bank. Its shares have seen continuously commanding a high premium in the Security market. The Institution has been acting as Bankers to the Government of Mysore. The progress in the operations of the Bank and its usefulness to the public may be gauged from the figures given below :—

Year.	*Deposits.*	*Advance to trade, industries and agriculture, etc.*
	Rs.	Rs.
1913	4,38,288	5,10,885
1920	115,32,478	103,50,348
1926	145,02,033	124,61,553
1930	230,81,355	161,51,641

3. The Bank has its Head Office in the Bangalore City and has established Branches at all District Headquarters, in the Civil and Military Station, Bangalore, and also at some of the important trade centres in the mofussil.

4. The Bank has been of considerable assistance to Government in the flotation of the Public Loans as the subscriptions collected through the Bank for the several loans will show :—

			Rs.
6¼ per cent Loan of	1940	... ...	53,44,350
6½ „ do	1941/51	.. ...	24,47,837
7 „ do	1931	... ...	43,96,088
5 „ do	1955	... ...	14,59,700
5½ „ do	1938	... ...	41,99,400
		Total ...	178,47,375

An aggregate amount of Rs. 2¼ crores has so far been subscribed through the Bank for the several Government of India Loans.

5. *Relations with Government.*—The main features of the relationship between the Government and the Bank as defined in their order of the 12th March 1913 were :—

(i) Deposit by the Government of Rs. Ten lakhs for a period of ten years, with some concessions regarding interest.

(ii) Payment by Government of half the working expenses of the Bank for the first five years subject to certain conditions.

(iii) Supply of treasury guards within the State and escort for remittances between places not connected by railway free of cost for a period of five years and thereafter on payment of a reasonable charge by the Bank.

(iv) The Bank to be permitted to do such treasury business as may be decided upon from time to time.

(v) The Bank to be given perference, as far as possible in the matter of deposit of securities purchased by Government.

The Bank on the other hand agreed to certain conditions regarding the employment of funds, management of its affairs, audit of accounts, etc.

6. Before the expiry of the ten year agreement, it was considered desirable to review the position of the Bank and its relations with Government with a view to increasing its resources and expanding its usefulness. And in their order dated 9th March 1920, Government appointed a Committee presided over by Mr. (later Sir) A. R. Banerji, First Member of Council, for examining the question and making recommendations.

The Committee's Report covered a fairly wide field and contained several important recommendations regarding Increase of Capital, Extension of Banking facilities, Definition of the relations between Government and the Bank, Transfer to the Bank of Government Treasury work and Pubic Debt business, Representation of Government on the Bank's Directorate, and Industrial Finance. Government passed orders on the Report in G. O. No. Fl. 3104-53—G. F 93-19-25 dated the 12th November 1920 which for facility of reference, is reproduced as appendix ' B '.

7. As the result of the investigation of details by expert committees appointed for the purpose and of further correspondence between the Bank and Government, the Agreement of 1923 was evolved, which was to be in force for five years. The term of this agreement expired in 1928, but is being extended from year to year. The main lines of the new Agreement described in the G. O. of the 10th July 1923 ran as follows :—

The Bank agreed to—

(1) employ or invest or otherwise utilise at least 50 per cent of the Capital, deposits and other funds at the disposal of the Bank within the limits of the State including the Civil and Military Station ;

(2) appoint duly qualified banking experts as the Manager and the Deputy Manager with the approval of the Government to manage its affairs ;

(3) its accounts being audited once a year or more frequently by a person appointed by the Government and to furnish the Government as promptly as possible with all information and explanations and to produce for inspection of such person all accounts, documents, securities and other property of the Bank as the Government may require ;

(4) obtain the approval of the Government to the appointment of the President of the Board of Directors ;

(5) publish such accounts as the Government may desire in the *Mysore Gazette* for the information of the public ;

(6) not to lend money on the security of immoveable property except as collateral secruity ;

(7) not to engage in, or enter into operations connected with foreign exchange ; and

(8) give due consideration to any advice which may be tendered by the Government concerning the management of the business and employment and investment of the funds of the Bank.

The Government agreed to—

(1) maintain a current account with the head office of the Bank at Bangalore ;

(2) entrust to the Bank the work relating to payments and investments in India ;

(3) transfer to the Bank the custody of the securities in the possession of the Government and the work relating to the drawing of periodical interest due on the securities ;

(4) empower the Bank to draw Supply Bills on treasuries ;

(5) authorise the Bank to pay interest on the securities of the Government, and

(6) keep a deposit of Rs. Ten lakhs for a further limited period.

The detailed terms on which the above items of work are to be performed by the Bank and the Deposit is to be kept with it by the Government are to be settled between the two parties in separate agreements entered into from time to time.

SECTION II.

Appointment of Present Committee and Terms of Reference.

8. The Bank of Mysore has established itself on a sound footing. It has done commendable work in affording accommodation to the trade and commerce of of the State and has also helped industry and agriculture to some extent. But there is still a large proportion of trade in the country which is untouched by it. In view of its present organisation and scope of business it could not afford as much assistance as may be required for the industrial and agricultural improvement of the State. The demand for mobilising all the financial resources available for the economic development of the country has been growing more and more insistent. The volume of deposits with the Bank has largely increased. While it may be noted with satisfaction that the ratio of the Bank's share capital and reserve funds to public deposits compares favourably with that obtaining in similar well-managed institutions elsewhere, it is highly desirable that action should be taken to improve the position as early as possible.

It has therefore been felt that the time has arrived for devising measures for expanding the operations of the Bank and for developing it as an institution capable of serving the general financial and economic interests of the State, in closer association with the Government. The authorities of the Bank who were consulted were agreeable to confer with the officers of Government in furtherance of this objective. Government accordingly sanctioned the formation of this Committee.

9. We have been asked to study the material furnished in the Indian Central Banking Enquiry Committee Report and the recommendation made therein, to examine how far they are applicable to the conditions in Mysore and to formulate proposals for developing the organisation and expanding the operations of the Mysore Bank in close association with the Government for the general improvement of banking service in the State.

10. From what is stated above, it will be seen that our labours have been considerably lightened by the investigations already made here and elsewhere and we have accordingly set to work to collate all the material available to us and formulate our views in the light of the experience so far gained.

SECTION III.

Recommendations.

11. Our recommendations are detailed under two main heads:—

Firstly.—Future constitution of the Mysore Bank and its relation with the Government.

Secondly.—Development of its organisation and expansion of its operations.

12. The first question taken up for consideration was the future relationship between the Government and the Bank especially with reference to the contemplated developments.

13. The relations between the Government and the Bank have so far been governed by agreements entered into between them for specified periods. On the recommendation of the Banerji Committee, Government decided in 1920 that the question of placing the constitution of the Bank on a statutory basis might be deferred for the time being. That Committee had however expressed themselves in favour of a gradual transfer of Treasury work to the Bank in the meantime and this view was endorsed by Government. The Sub-Committee that was subsequently appointed to consider the details of transfer recommended that the scheme might be tried at Bangalore in the first instance. But the proposal did not materialise for various reasons, which it is not necessary to dilate upon. It was finally decided by Government that action in the matter of transfer of Treasury work might be deferred till further experience was gained and legislation on the lines of the Imperial Bank Act was undertaken in Mysore.

Our colleagues representing the Bank wished that the scheme might be tried at Bangalore and stated that if the transfer of treasury work was decided on, the Bank authorities would be glad to provide accommodation and other facilities for the Treasury staff in the Bank buildings. But the Committee as a whole was not

convinced of the advantages of partially transferring treasury work to the Bank in a single place. We also felt that a general transfer of Treasury business in all places where the Bank has established branches could not be thought of at the present moment.

I agree.

14. We consider however that some action by way of transferring particular items of Treasury business might be taken up in the meantime.

We have been informed that the system of arranging for payment of interest on State Loan Bonds through the Bank has worked smoothly and has been appreciated by the public and we suggest some more items of work in which the general public is interested might be transferred to the Bank. One such item which we would specially mention here is pension payments. The detailed procedure under which the Bank may be authorised to disburse pensions (of all kinds or of specified kinds only) at the Head Office and the Branches may be settled by the Comptroller in consultation with the Bank authorities.

May be examined.

15. The Central Banking Enquiry Committee have recommended the promulgation of a special Bank Act to provide for several important matters affecting banking, such as the initial organisation of Banks, their efficient management, stability, supervision and examination and publication of accounts, safety of shareholders and depositors, etc. Having considered the question in all its aspects, we have unanimously arrived at the conclusion that ultimately, the constitution of the Mysore Bank and its association with the Government should be placed on a statutory basis, but that for the present it is necessary to watch developments in India before having resort to legislation. We are of the opinion that the relations with Government should rest on a contractual basis as hitherto for another period of not less than three years, by a renewal of the present agreement with certain changes which are indicated below. We would suggest that an expert Committee consisting of representatives of both the Government and the Bank be appointed in the meantime to study the developments in India and to work out the general lines on which banking legislation might ultimately be undertaken with special reference to the conditions in Mysore.

I agree.

May be done.

16. *Revision of the Agreement.*—We have scrutinised the terms of the existing Agreement and found that they are on the whole suitable, having stood the test of time and that no substantial alterations are called for except by way of supplementing them, if our recommendations on "Industrial Finance" made in para 29 *infra* are accepted.

I have proposed some alteration.. Vide - App. 'C'

A few simple changes which may bee ffected in the present Agreement are detailed in Appendix "C." Mention may be made here of only the more important ones.

17. The period of the Revised Agreement may be fixed at not less than three years. Government may continue to keep their current balances with the Bank and place in deposit a fixed sum of Rs. ten lakhs inclusive of the constant minimum of Rs. five lakhs in the current account. The Bank may continue to have the custody of Government securities, and be entrusted with the work of realising interest thereon. Other items of work such as pension payments may also be transferred to it. The Government may, on the other hand, expect the Bank to conform to the prescribed conditions regarding the employment of its funds, management of business, etc., as heretofore.

Yes.

It is not for our resource purposes to fix 10 lakhs with the Bank.

18. The Central Banking Enquiry Committee have laid stress on the importance of training in Banking work and made several suggestions on the subject of Banking education. And on this subject we have only to reiterate the recommendation made by the Banerji Committee in the concluding para of their Report.

Under clause (8) of the Agreement, the Bank is required to give due consideration to any advice which may be tendered by Government concerning the management of the business, etc. And to emphasise the importance of training in Banking a specific reference to the training of officers has been made in this clause as redrafted.

19. *Rate of Interest on Balances in the Current Account.*—Interest is charged on the monthly minimum balances in the Government account with the Bank as under :—

January to March ...	Two per cent below the Imperial Bank rate subject to a maximum of six per cent per annum.
April to December...	Two and a half per cent per annum.

It was represented on behalf of the Bank that the interest charged on Government balances in the current account was a little too heavy especially in the slack season of the year and that some reduction might be recommended by the Committee, in view of the fact that the Bank was allowing interest at two per cent per annum on the current account balances of the public. After a full consideration of the arguments advanced on both sides, we have come to the conclusion that no change is called for as regards the rate levied between January and March but that the rate during the remaining months might be revised as follows :—

Vide my remarks on clause 8 of the agreement in App.C.

Two and a half per cent on the constant minimum balance of Rs. 5 lakhs and

Two per cent on the excess over this limit in the current account.

The loss to Government involved in our recommendation is about Rs. 1,000 per annum and we consider that this small concession may be allowed in view of the co-operation expected of the Bank in several directions including Industrial Finance.

20. *Government Auditor's Report.*—The representatives of the Bank suggested that the Bank might be furnished with a copy of the Government Auditor's half-yearly report confidentially for the information of the Board of Directors. This request seems to be reasonable and is commended for the consideration of Government.

Copy need not be given; matters of importance brought to notice may be communicated. yes.

21. *Government Representation on the Board of Directors.*—The Bank Committee of 1920 had recommended the appointment of a representative of Government on the Board of Directors of the Bank. The Government had provisionally accepted this recommendation. But this has not so far been given effect to. We have considered this matter and have arrived at the opinion that it is not necessary to have any Government nominee on the Bank's Board at present and that the question may be further examined by the expert committee proposed to be appointed for working out the Scheme of placing the Bank on a statutory basis.

22. *Extension of Banking Facilities.*—The question of the opening of new branches by the Bank was discussed by us. The Bank has at present 12 branches opened in the following places besides sub-branches in five other places :—

Civil and Military Station, Channapatna, Chikballapur, Chikmagalur, Chitaldrug, Davangere with Harihar sub-branch, Hassan, Mysore, Oorgaum with Kolar and Chintamani sub-branches, Shimoga with Sagar sub-branch, Tiptur with Arasikere sub-branch and Tumkur.

Having regard to the present trade depression and consequent decrease in business we are of opinion that the need for the opening of any new branches in the immediate future is not very pressing, but that the extension of banking facilities in the mofussil should however be kept steadily in view, by the Bank authorities.

Yes.

With these observations, we commend for the consideration of the Bank the suggestion of the Director of Industries and Commerce that the existing sub-branches at Kolar, Arsikere and Sagar may, if possible, be converted into branches, and that while opening new sub-branches, the following places may be given preference :—Goribidnur, Nanjangud, Chamarajanagar, Hunsur, Saklespur and Tarikere.

23. *Industrial Finance.*—We have devoted the best part of our time to the consideration of the important subject of Industrial Finance. A scheme of Industrial Finance had been framed and submitted by the Banerji Committee. But no orders appear to have been passed by Government thereon. The Seal Committee has also dealt with the subject. The Indian Central Banking Enquiry Committee have exhaustively discussed in Chapter XVI of the Report the Financial requirements of Industries. There is also the Report of the Macmillan Committee on British Industry and Trade which reflects the modern trend of opinion on this subject.

24. Following the convention of British Banking, it has for a long time been held in India that the financing of industry is a specialised operation which is outside the scope of ordinary Trade Banks, organised on a system of short time credit. The conservative school of opinion holds that no industry floated on sound lines and showing a reasonable promise of success has found any difficulty in obtaining from Banks the financial assistance needed by it for supplementing its working capital and that the provision of long dated loans by ordinary commercial banks,

the bulk of whose resources consist of short term deposits is an unsafe and risky operation, opposed to all principles of sound banking. With the success of what is known as the German system of banking, the idea has now gained ground that there are special advantages in combining, under proper safeguards, industrial banking with ordinary commercial Banking. Even in England, where the traditional view on the matter is most strongly held and the relations between the British financial world and British Industry have not been so close as between German finance and German Industry or as between American Finance and American Industry, the desirability of following the German example has been pressed recently by the Macmillan Committee on British Industry and Trade in the following words :—

"Coming back now to the more general question of the relations between finance and industry and in particular to the provision of long-dated capital, we believe that there is substance in the view that the British Financial organisation concentrated in the City of London might with advantage be more closely co-ordinated with British Industry, particularly large scale industry, than is now the case" (Page 171 of the Report of the Macmillan Committee on Finance and Industry).

25. The recommendation of the Central Banking Enquiry Committee appears to be well considered and is worth quoting in this connection.

"We consider that in India, in connection with the issue of share and debentures by Industrial Companies, such of the existing commercial Banks as are well established and carry on their ordinary banking business on the safest and soundest lines might with advantage to the industries follow, as far as possible the German System".

"The ordinary Banking business in which deposits from the general public are employed is decidedly the most important business of German Banks. In addition, there is a department for Industrial and similar Finance, with a limited share of Bank's own resources, for carrying on financial transactions arising from time to time in the relations of the Bank with the Industrial and similar Joint Stock Companies." (Page 295—296 of the Report. C. B. E. C.).

We fully endorse these views.

26. The recommendations of the 1920 Committee were as follows :—

(*a*) The current finance of working concerns was to be provided by the Bank of Mysore as part of its ordinary business.

(*b*) Regarding the provision of capital for first equipment and subsequent developments, the Bank has undertaken to render assistance on the terms recommended by the Indian Industrial Commission in paras 289—291 of their Report.

(*c*) After a preliminary investigation, the Department of Industries and Commerce would select cases deserving of assistance. These were to be referred to a Board consisting of the Manager of the Bank, two of its Directors and the Director of Industries and Commerce. The Bank was to issue loans out of a special fund to be created for the purpose either from an advance from the Government at interest for a specified term of years or by obtaining long term deposits with, if necessary, the guarantee of Government. The rate of interest to be charged to the borrowers was to be settled by the Board and was to be lower than the current rates. When the special fund was created wholly out of the Government advance or deposits guaranteed by Government, losses on loans issued as above might be borne by Government and the Bank in the proportion of 2/3 and 1/3.

27. In the course of the informal discussion held in July 1930 when Sir B. N. Mitra, Chairman of the Central Banking Enquiry Committee, kindly visited the Bank and met the Representatives of the Bank and the Officers of Government, these recommendations were endorsed and it was suggested that Government might advance Rs. 10 lakhs as above, the Bank contributing an equal sum to form the special fund and that profit or loss in working the scheme might go wholly to the Bank except when Government desired accommodation to be given to parties although the Board was not agreeable, in which case the whole or bulk of the loss was to be borne by Government.

28. The Seal Committee wrote in 1929 "that it is high time to create new banking facilities in Mysore, as distinguished from the administration of State aid by a State Department or Board, (2) that for this purpose, as a first step, it is desirable that under definite stipulations the Bank of Mysore should be utilised as

an agency for the supply of long-term credit to particular industries on suitable conditions, and on the recommendations of the Statutory Board constituted for the administration of State aid; and (3) that the industrial loan department of the bank started under such stipulations should be worked as a detachable branch which in course of time may be combined with the accumulated balances of the Industrial Bank under a specific law."

Proposals may be accepted generally

29. On a careful consideration of the subject, we venture to suggest the following scheme, which is calculated to achieve the object in view without materially interferring with the traditional sphere of work in the Mysore Bank.

(1) A separate Industrial section may be formed in the Bank of Mysore for dealing with accommodation to Industries.

(2) The funds required for this section may be raised in one or more of the undermentioned ways, *viz.*, Addition to Share Capital, Long-term Deposits from Public, Debentures, and Deposits from the Government.

(3) For the purpose of improving the Bank's Capital resources and providing adequate funds for the Industrial Finance Section, the share capital of the Bank may be doubled *i.e.*, increased by Rs. 20 lakhs of which Rs. 10 lakhs may be called up at once and the balance of Rs. 10 lakhs kept as reserve liability. The details as regards the terms on which the new capital should be raised and the time for raising it may be left to the Bank Authorities.

Whether the Resources of Govt. can meet this ha to be first mined.

(4) The Government may be requested to advance on the cash credit basis a sum of money up to Rs. 10 lakhs for a term of ten years in the first instance at a fixed rate of interest, say, 5 per cent per annum, the advance being drawn by the Bank as and when required. This accommodation is exclusive of the Fixed Deposit of Rs. 10 lakhs referred to in para 17.

(5) The Government may also guarantee payment of the principal and interest of the debentures that may be floated from time to time by the Bank subje to Government's approval and under such conditions as may be laid down by them provided that the total amount of debentures so issued will at no time exceed the total paid up share capital allotted for the use of this section.

(6) The Industrial branch will deal with all classes of Industrial loans, (*a*) Block Loans, *i.e.*, those secured on the Fixed Assets of Concerns, and (*b*) Current finance secured on the floating assets and stock-in-trade, as well as on the personal credit of the borrowers.

(7) With a view to maintain a clear distinction between the loan applications to be dealt with by the Bank in its Trade Section and those that will have to be disposed of by the Industrial Section, it is recommended that loans of small amounts, say, less than Rs. 1,000 and all loans of whatever amount required for a year or less may be dealt with by the Bank in the ordinary way in the commercial section and that only loans of Rs. 1,000 and over and running for a period exceeding a year should be handled by the Industrial Section.

(8) An advisory board may be constituted for managing the affairs of the Industrial Section and of considering applications for Industrial Loans. The Board may consist of three Bank Directors, one of whom will be the Chairman of the Bank and two Government Officers, *viz.*, the Financial Secretary and the Director of Industries and Commerce, with the Chairman of the Mysore Bank as the President of the Board. The Manager of the Bank will be the Secretary to the Board. The Department of Industries and Commerce will be the agency for preliminary investigation of applications for Loans. The recommendations of the Board will be advisory. They will be submitted to the Board of Directors of the Bank for disposal.

(9) A set of working rules may be framed for the separate exhibition of the accounts and the result of the working of the Industrial Section, and for merging the same in the general balance sheet of the Bank. A small Committee consisting of two Bank Directors and two Government Officers may be appointed to draft the rules.

(10) Provision may be made in these rules for the following among other items:—

(*a*) The procedure for the preliminary investigation of applications for Industrial loans by the Department of Industries and Commerce may be prescribed and the relationship between the Department and the advisory Board defined.

(*b*) The limits of the rate of interest to be charged with reference to current rates (usually to be lower than the latter) may be indicated.

(*c*) When the Advisory Board is unanimous in its opinion, it will, as a rule, be accepted by the Bank.

(*d*) When the Board by a majority recommends the grant of a loan, the following procedure may be adopted.

If the Bank accepts the recommendation and grants the loan, the entire responsibility in respect of the transaction rests with it, as under (c).

If the Bank refuses to grant the loan, the matter will be remitted to the Advisory Board and if on its further recommendation, the Goveanment desire that the accommodation be granted, the loss if any, on account of transaction will be borne by Government, wholly or in such proportion as may, in the circumstances of the case, be agreed to by the Government and the Bank.*

The following words may be added at the end of the sentence "at the time of sanctioning the loan."

30. The Report of the Central Banking Enquiry Committee covers a very wide field. We have already referred to their recommendations on the subjects of Industrial Finance, Regulation of Banking and Banking Education. The other matters dealt with in the Report such as Rural Finance, Promotion of savings and investment habit are, no doubt, of importance, but they fall beyond the scope of this Committee and we offer no comments on them.

31. *Conclusion.*—To summarise, we consider that a closer association between the Government and the Bank is desirable and even necessary in the general economic interests of the country and we have indicated in what directions, action could be immediately taken in furtherance of this object. The relation between the Government and the Bank may continue on a contractual basis as heretofore for the next three years, but it is essential that the lines on which banking legislation should be undertaken, be settled in the meantime.

We venture to think that the scheme of Industrial Finance which has been put forward by us is workable and deserves to be put into operation at once.

The representatives of the Bank are confident that the Bank will not hesitate to take up the new role if the country could profit by it. In the course of a comparatively short time the Bank has attained a position of stability and importance. And it is best fitted to follow the advice given by the Central Banking Enquiry Committee. We now close this Report with the words of Mr. Manu Subedar, the writer of the Minority Report (*Vide* page 112) :—

"The future of the Bank of Mysore is assured amongst other things, by a vigorous State policy with reference to economic conditions, and by pride in the good work done by Mysoreans, in the possession of which Mysore is perhaps unique in all India."

(Sd.) K. P. PUTTANNA CHETTY.
„ B. K. GARUDACHAR.
„ T. M. S. SUBRAMANIAM.
„ B. SRINIVASA IYENGAR (*Convenor*).
„ S. SHAMANNA.
„ N. RAMA RAO.

K. GURU DUTT,
Secretary,
24*th June* 1932.

APPENDIX 'A'

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

FINANCIAL DEPARTMENT.

G. O. No. FL. 3800-860—G. F. 29-28, DATED 2ND—3RD DECEMBER 1931.

The Bank of Mysore.

Appoints a Committee to advise in determining the future relationship between Government and——.

READ—

Government Order No. Fl. 158-207—G. F. 98-22-2, dated 10th July 1923, defining for a period of five years in the first instance, the relations between the Government and the Bank of Mysore and the terms of agreement for the performance of the Government business entrusted to the latter.

(2) Correspondence ending with Government letter No. Fl. 2172, dated 1st October 1931, to the Bank of Mysore, approving of the proposal of the Bank to extend the agreement till 1st October 1932.

(3) Correspondence ending with letter No. M. 850, dated 19th November 1931, from the Manager of the Bank, intimating the names of the Directors of the Bank appointed for considering with the officers of Government, the question of the renewal of the agreement.

ORDER NO. FL. 3800-860—G. F. 29-28, DATED 2ND—3RD DECEMBER 1931.

Under the Government Order of 10th July 1923 read above, an agreement was entered into between the Bank of Mysore and the Government defining the relations between the parties and the terms and conditions under which the Government business entrusted to the Bank should be performed by it. This agreement which was in force in the first instance for a period of five years from 1st October 1923, is being renewed from year to year pending consideration of the lines on which the future agreement between the Bank and the Government might be framed, with a view to the banking service in the State being improved and enlarged.

The Report of the Indian Central Banking Enquiry Committee which was lately published, deals exhaustively with the question of development of Banking in India in all its branches. With the concurrence of the authorities of the Bank, the Government are pleased to appoint a Committee consisting of three representatives of the Bank and three Government Officers to study the material furnished in the Report and the recommendations made therein, to examine how far they are applicable to the conditions in Mysore and to formulate proposals for developing the organisation and expanding the operations of the Mysore Bank in close association with the Government for the general improvement of banking service in the State. The Committee will be constituted as follows:—

Representatives of the Bank.	*Officers of the Government.*
(1) Rajasabhabushana Mr. K. R. Sreenivasa Iyengar,	(4) The Financial Secretary,
(2) Mr. D. S. Mallappa, and	(5) The Comptroller to Government,
(3) Mr. P. W. O'Brien.	and (6) The Director of Industries and Commerce.

The Financial Secretary will be the Convenor of the Committee.

The Committee is requested to meet as early as possible and submit a report of the result of its deliberations to Government in four months.

B. SRINIVASA IYENGAR,
Secretary to Government,
Financial Department.

To—The Manager, Bank of Mysore, Ltd., Bangalore.
The Comptroller to Government.
The Secretaries to Government.
The Heads of Departments.
PRESS TABLE.

Exd.—C. K.

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

GENERAL AND REVENUE DEPARTMENTS.

G. O. No. Fl. 7150-7199—G. F. 192-31-11, BANGALORE, DATED THE 19TH MARCH 1932.

The Mysore Bank Committee.

Directs the reconstitution of——appointed in G. O. No. Fl. 3800-860—G. F. 29-28, dated 3rd December 1931.

READ :—

Correspondence ending with letter No. M. 270, dated 17th March 1932, from the Manager, Bank of Mysore, intimating that Sir K. P. Puttanna Chetty, Mr. B. K. Garudachar and the Acting Manager Mr. T. M. S. Subramanyam have been deputed to serve on the Committee constituted in Government Order No. Fl. 3800-860—G. F. 29-28, dated 3rd December 1931.

ORDER NO. Fl. 7150-7199—G. F. 192-31-11, DATED THE 19TH MARCH 1932.

The Committee will be reconstituted as follows :—

Representatives of the Bank :—

1. *Rajasabhabhushana Dewan Bahadur* Sir K. P. Puttanna Chetty, Kt., C.I.E,
2. Mr. B. K. Garudachar, and
3. Mr. T. M. S. Subramanyam.

Officers of the Government :—

4. The Financial Secretary.
5. The Comptroller.
6. The Director of Industries and Commerce.

The Financial Secretary will be the Convenor of the Committee and Mr. K. Guru Dutt, Assistant Comptroller, will be Secretary to the Committee in addition to his own duties.

B. SRINIVASA IYENGAR,
Financial Secretary to Government.

To—The Manager, Bank of Mysore, Ltd., Bangalore.
The Comptroller to Government.
The Members of the Committee.
The Secretaries to Government.
The Heads of Departments.
The Press Table.

APPENDIX 'B

PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

READ—

1. Government Order No. Fl. 5500-49—G. F. 93-19-11, dated 9th March 1920, appointing a Committee for examining the position of the Bank of Mysore and submitting recommendations for increasing its resources and enhancing its usefulness.

2. The report of the above committee dated 3rd May 1920.

ORDER NO. Fl. 3104-53—G. F. 93-19-25, DATED BANGALORE, THE 12TH NOVEMBER 1920.

In their order of 9th March 1920, Government appointed a Committee consisting of the First Member of Council (Chairman) and 12 Members to examine the position of the Bank of Mysore and to submit recommendations for increasing its resources and enhancing its usefulness. Government have perused with interest the report submitted by the Committee and are pleased to pass the following orders :—

2. *Increase of Capital.*—The demand for banking facilities in the State has largely increased and is still increasing. The resources at the disposal of the Bank of Mysore are not adequate for meeting the growing demands and a large proportion of the trade of the State is still untouched by the Bank. The volume of deposits with the Bank has increased and as the amount of capital is comparatively small and has also remained stationary, there has been a gradual decrease in the ratio of capital and reserve to expanding deposits. The need for increasing the share capital has been recognized by the authorities of the Bank and the Committee advise that the authorised capital of the Bank may, for the present, be raised to 50 lakhs and that the whole of the new capital of 30 lakhs be called up as required from time to time. Government endorse the suggestion of the Committee and commend it for acceptance and early action by the Bank.

Whether Government should contribute any part of the new capital or not, is a question on which the Committee are divided in their opinion. The majority of the members consider that it is not desirable for Government to be in the position of a shareholder, and Government agree in this view.

3. *Extension of Banking Facilities.*—Government attach great importance to the rapid extension of banking facilities in the State and they would be glad to see, as early as possible, fully equipped branches of the Bank of Mysore at the headquarters of every district and also at all other important centres of trade and business. The Committee recommend that the Bank should aim at having six additional branches in the course of the next three years, one in each of the towns of Hassan, Chitaldrug and Kolar, and three more in other principal towns. Government trust that the Bank will take steps to provide for this moderate expansion in the next three years.

4. *Transfer of Government Treasury work to the Bank.*—It is the policy of Government to transfer the cash work of their treasuries to the Bank at all places where the latter makes adequate arrangements for the conduct of such work. The suggestions of the Committee, which are calculated to give effect to this policy, commend themselves to Government and as recommended by them, the details of the arrangement for giving effect to the transfer of work will be considered by a Committee consisting of the following :—

1. The Revenue Commissioner in Mysore (Chairman).
2. The Comptroller to Government.
3. The Chairman of the Board of Directors of the Bank of Mysore.
4. The Manager of the Bank of Mysore.

The Committee are requested to submit their report before the end of January 1921.

5. *Transfer of Public Debt Business.*—The close co-operation of the Bank with Local Bodies and Government in the work relating to their public debts has many advantages and Government accept the recommendations of the Committee, for the transfer, as far as possible, of such work to the Bank. District Boards and Municipal Councils, who have already raised public loans, are requested to consider whether the work relating to such loans may not, with advantage, be transferred to the Bank and to submit proposals, in consultation with the Bank, for effecting such transfer. As regards similar loans of Government, the Comptroller is requested to report what work relating to them may be transferred to the Bank.

6. *Definition of relation between Government and the Bank.*—Government agree with the Committee that the question of placing the constitution of the Bank on a statutory basis may be deferred for the time being and that the relation between the Bank and Government may continue for the present, to be defined by conditions incorporated in the Memorandum and Articles of Association or in separate agreements on particular matters. A Committee consisting of the Chairman of the Board of Directors (Chairman), the Manager of the Bank of Mysore, the Financial Secretary and the Government Advocate will submit the drafts of the revised Memorandum and Articles of Association and the agreement for giving effect to the several recommendations contained in paras 8 to 11 of the Committee's report.

Government Representation.—The transfer of larger Government balances and of treasury work to the Bank as well as its close association with Government in all matters affecting the financing of trade and industries in the State render it necessary to provide for proper representation of Government on the Directorate of the Bank and Government accept the recommendations of the Committee in this respect.

7. *Other Recommendations.*—Government would be glad to use the agency of the Bank as far as possible, in connection with the Land Mortgage Scheme in contemplation, which will be referred to the Bank in due course.

The suggestions of the Committee regarding the opening of a branch of the Bank in the Civil and Military Station, Bangalore and the training of young men in banking work are commended to the Bank.

8. *Industrial Finance.*—The recommendations of the Committee in regard to Industrial Finance are reserved for separate consideration.

Government desire to convey to the Committee their thanks for the valuable suggestions offered for the solution of the many important problems connected with the development of banking placed before them.

M. N. KRISHNA RAO,
Financial Secretary to Government.

To—The Members of the Committee.
The other Secretaries to Government.
The Heads of Departments.
The Deputy Commissioners of Districts.

Proposed Draft

APPENDIX "C".

Existing agreement	Agreement modified according to the Committee's resolution	Remarks
Paras 6 and 7 of G. O. dated 10th July 1923. The Bank agrees to—		
(1) employ or invest or otherwise utilise at least 50 per cent of the capital deposits and other funds at the disposal of the Bank within the limits of the State including the Civil and Military Station ;	No change.	
(2) appoint duly qualified banking experts as the Manager and the Deputy Manager with the approval of Government to manage its affairs ;	No change.	
(3) its accounts being audited once a year or more frequently by a person appointed by the Government and to furnish the Government as promptly as possible with all information and explanations and to produce for inspection of such persons, all accounts, documents, securities and other property of the Bank as the Government may require ;	*Its accounts being audited once a year or more frequently by a person appointed by the Government and to furnish the Government as promptly as possible with all informations and explanations *which they may furnish under the law for the time being* and to produce for inspection of such person, all accounts, documents, securities and other property of the Bank as the Government may require.	* On further consideration, it was agreed that it was not quite necessary to make any change in this clause.
(4) obtain the approval of the Government to the appointment of the President of the Board of Directors ; (5) publish such accounts as the Government may desire in the *Mysore Gazette* for the information of the public ; (6) not to lend money on the security of immoveable propety except as collateral security ; (7) not to engage in, or enter into operations connected with foreign exchange ; and	No change.	
(8) give due consideration to any advice which may be tendered by the Government concerning the management of the business and employment and investment of the funds of the Bank.	Give due consideration to any advice which may be tendered by the Government concerning the management of the business and employment and investment of the Funds of the Bank *and training of Officers of the Bank.*	
7. of G. O.— The Government agree to		Clauses 1,2 and 3 are inoperative but may stand as they are already there.
(1) maintain a current account with the Head Office of the Bank at Bangalore ;	No change.	
(2) entrust to the Bank the work relating to payments and investments in India ;	Entrust to the Bank the work relating to payments and investments in India *as far as possible*	
(3) transfer to the Bank the custody of the securities in the possession of the Government and the work relating to the drawing of periodical interests due on the securities ;	No change.	
(4) empower the Bank to draw Supply Bills on Treasuries;	Empower the Bank to draw supply Bills on Treasuries *subject to terms to be settled between the Comptroller and the Bank from time to time.*	
(5) authorise the Bank to pay interest on the securities of the Government ; and	No change.	
(6) keep a deposit of rupees Ten lakhs for a further limited period.	No change.	
The Agreement proper.— (1) Payments to be made in India by the Government outside the State may be arranged for through the Bank which will be paid a commission of 1/16th per cent on amounts paid.	No change.	
(2) Investments of the Government in the Government of India Bonds and Treasury Bills will be made through the Bank.	Investments of the Government in the Government of India Bonds and Treasury bills will be made through the Bank *as far as possible.*	

APPENDIX C.—*contd.*

Existing agreement	Agreement modified according to the Committee's resolution	Remarks
(3) All Securities held by the Government of Mysore will be kept in the custody of the Bank. The interest due periodically on such securities will be arranged to be drawn by the Bank as it becomes payable and credited to the current account of the Government with it. The Bank will be paid by the Government Commission at 1/8th per cent on the interest thus drawn. No fee for safe custody of securities nor for withdrawal of securities is payable by the Government to the Bank. The Comptroller or an officer authorised by him shall verify in the Bank by actual counting twice a year the securities entrusted to the safe custody of the Bank.	No change.	
(4) The Bank will be authorised to draw Supply Bills from March to June on any treasury in the State and such drawing will be permitted at par. The amount which can be held at the disposal of the Bank for this purpose at the different treasuries and the procedure for ascertaining the amounts of such surplus and that for the drawing of, and accounting for, Supply Bills will be as determined by the Comptroller.	No change.	
(5) Amounts tendered by the public to a district or taluk treasury where no branch or agency of the Bank exists for remittance to the Head Office of the Bank will be accepted and R. T. Rs. issued at par subject to the condition that the amount of each R. T. R. is not less than Rs. 100 and that the total amount of R. T. Rs. applied for from any treasury in any one month does not exceed Rs. 5,000. The same facility will be afforded to the Bank at any Government Treasury if convenient to the treasury.	No change.	
(6) Interest on the securities of the Government which belong to the Bank or its constituents is now made payable at the Head Office of the Bank in Bangalore. This arrangement will be extended by enfacing for payment of interest at the Bank's Head Office in Bangalore and at its branch in Mysore, the securities held by the public in general. The Bank will be paid commission at 1/8th per cent on the amount of interest disbursed by it. The payments made by the Bank's branch in Mysore will be charged to Government's current account with the Bank's Head Office in Bangalore.	The Bank will pay interest on the securities of Government which are enfaced for payment by the Bank and will receive a Commission at 1/8 per cent on the amount of interest disbursed by it. Interest so paid will be charged to the Government's current account with the Bank. The Bank will keep accounts for such interest paid in the same manner as treasuries, and these accounts will be subject to inspection in the same way.	
(7) The Government will continue its current account with the Bank's Head Office in Bangalore and undertake to keep a constant minimum balance of Rs. 5 lakhs at the credit of this account.	No change.	
The Bank has the option to limit the maximum amount which it may hold at the credit of the account of the Government to Rs. 20 lakhs inclusive of the constant minimum of Rs. 5 lakhs. For withdrawals exceeding in the aggregate Rs. 2 lakhs in a week, a week's notice will ordinarily be given by the Government except on occasions of emergency when demands cannot be foreseen a week before.	The Bank has the option to limit the maximum amount which it may hold at the credit of the account of the Government to Rs. 20 lakhs inclusive of the constant minimum of Rs. 5 lakhs. For withdrawals exceeding in the aggregate Rs. 2 lakhs in a week, a week's notice will ordinarily be given by Government.	
(8) The Bank agrees to pay interest on the monthly minimum balances of the current account as follows:— Period ... Rate of interest per annum. January to March Two per cent below the Bank rate of the Imperial Bank of India, subject to a maximum of 6 per cent per annum.	No change.	

(9) This clause is not now in force as the fixed deposit of Rs.5 lakhs was withdrawn on 1-10-31. The period may be changed to three years if Government wish to continue the Deposit as the peripd of new agreement is proposed to be three years.

(8) The minimum of Rs.5/- lakhs in the current account is in no way different from a fixed deposit. Interest at 2½% for 9 months in a year on a fixed deposit placed for three years is too low particularly when Government have themselves to pay 5 per cent interest. Government can obtain 5 per cent interest easily by investment in Government of India securities. The loss to Government involved in the arrangement comes to Rs.28,000/- for the three years (the period of agreement) as detailed below.

Interest per annum at 5% on 5 lakhs		25,000
Interest at 2½% on	do	12,500
		12,500
For 9 months the difference is		9,375
For three years		28,125

(For the remaining 3 month the rate is 2% below Bank rate)

The concession was justified when the Bank was in its infancy. If it is continued its shareholders will benefit at the cost of the general tax-payer. I would suggest that the minimum itself be withdrawn and treated as Fixed Deposit at 5% interest.

The reduction of ½% interest (from 2½ to 2) on balances in current account during April to December may be accepted.

APPENDIX C.—*concld.*

Existing agreement	Agreement modified according to the Committee's resolution	Remarks
April to December 2½ per cent.	April to December 2½ per cent *on the constant minimum of Rs. 5 lakhs and 2 per cent on the excsss over this balance.*	
(9) The Government agree to keep as a fixed deposit with the Bank a sum of Rs. 5 lakhs at 5 per cent per annum for a period of ~~five~~ years from the date of this agreement.	No change. (3 years)	
(10) This agreement will be in force in the first instance for a period of five years from 1st October 1923 and it will be renewed thereafter with such alteration as may be agreed to by the Government and the Bank.	This agreement will be in force in the first instance for a period of three years from 1st October 1932 to be renewed thereafter if necessary with such alterations and for such further time as may be agreed to by the Government and the Bank.	

WD 4—GPB—300—24-8-32

Telegraphic Address: "INDUSCOM."

GOVERNMENT OF MYSORE.

DEPARTMENT OF INDUSTRIES AND COMMERCE.

OFFICE OF THE DIRECTOR,

Dated, Bangalore, the 5th September 1932

In reply please refer to C2.366/31

ENC.

FINANCIAL BRANCH 6/SEP. 1932 GEN. & REV. SECTT.

FINANCIAL SECRETARY 6 SEP. 1932 No.

FROM

N. RAMA RAO, Esq., B.A., B.L.,
Director of Industries and Commerce in Mysore,
Bangalore (India).

TO

S. SHAMANNA, ESQ., B.A.,
Financial Secretary to the Government of Mysor
Bangalore.

SIR,

With reference to your letter No. FL.1156-7/G.F. 192-31 dated the 26th August 1932 requesting for my remarks on the several recommendations made by the Banking Enquiry Committee, I have the honour to state that I have no remarks to offer and that the recommendations of the Committee may be given effect to.

I have the honour to be,

Sir,

Your most obedient servant,

DIRECTOR.

(Absent from Head Quarters on Tour)

BV2

Appendix F G—1]

SUBJECT.....

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Section

File No.

Serial No.

Diary No. of letter replied to.....

No. H 6845

To 1) The Manager, Bank of Mysore

2) M. Ayer, Imperial Bank of India Bangalore.

General and Revenue Secretariat

( )

the *193* .

Date of issue..... 1/8/33

Signed by..... M. A. R.

Dear Sir,

May I request you kindly to let me know, ~~should you have the information~~, if the Government of India have passed orders on the Central Banking Enquiry Committee's Report?

If orders have been passed I shall be obliged by sending me a copy of the same, if available. ~~I shall be obliged~~

List of enclosures.....

Copied by.....

Examined by.....

WD 0253—GPB—15,000—26-8-32

F. 6845
G.7

31st July xxx
1933.
18

Dear Sir,

May I request you kindly to let me know, if the Government of India have passed orders on the Central Banking Enquiry Committee's Report?

If orders have been passed, I shall be obliged by your kindly sending me a copy of the same if available.

Yours sincerely,

A D Shroff

To 1) The Manager,
Bank of Mysore
2) Agent, Imperial Bank
of India, Bombay

No. 164—20.000

COMMUNICATIONS TO BE ADDRESSED TO THE MANAGER

GRAPHIC ADDRESS: MYSOREBANK

THE BANK OF MYSORE, LTD.
P. O. BOX No. 37

M.150 443

Bangalore, 2nd August '33.

A. N. Raghavachar, Esq., M.A.,
Financial Secretary to the
Government of Mysore,
Bangalore.

Dear Sir,

2204/-

With reference to your letter No.Fl.684-5/G.F. of the 1st August '33, I am not aware that the Government of India has passed orders on the Central Banking Enquiry Committee's Report.

Yours faithfully,

MANAGER.

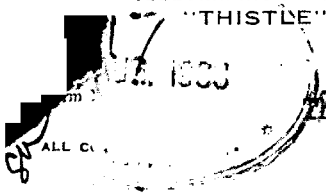
C.F. 192-34

IMPERIAL BANK OF INDIA

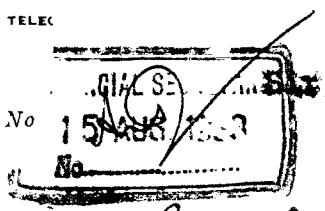
LETTERS TO BE ADDRESSED TO
THE AGENT
TELEGRAPHIC ADDRESS
"THISTLE"

BANGALORE 14th August 1933.

No. 408



The Financial Secretary
to the Government of Mysore,
Bangalore.



Sir,

With reference to your D.O.No.Fl.684-5/C.F. of the 1st instant, I have the honour to inform you that I am advised by the Accountant-General, Madras, that he has no information regarding the orders passed on the Report of the Central Banking Enquiry Committee. Neither a copy of the Report nor any other communication relating to the Report has been received by him.

I regret being unable to furnish you with any further information on the subject.

I have the honour to be,
Sir,
Your most obedient servant,

Gordon.
Agent.

Appendix F G—1]

JECT .....

.....

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Section G.7

File No. 192-31

Serial No.

Diary No. of letter replied to .....

No. Secret Je 1179(1)

To The Manager, Bank of Mysore.

General and Revenue Secretariat

( )

the *193*

Sir,

Date of issue 31/8/33

With reference to the correspondence ending with this office letter No Je 591 dt 29.7.32 in the matter of the Bank Committee Report, I am directed to forward herewith a draft Agreement embodying the Committee recommendations and to request the favour of the Bank's opinion whether the draft could be adopted as orders issued.

Signed by .....

In other recommendations of the Committee will be taken

List of enclosures .....

Copied by .....

Examined by .....

WD 0253—GPB—15,000—26-8-32

up for disposal separately
to the Comm.

In favour of an early
reply is requested.

Thanks.

29.8.33

29/8

29/8/33.

Urgent.

H 11790

From

The Financial Secy. to Govt. G.Z. 192.31

xxxxxxxxxxxxxxxxxxxx

To

The Manager, Bank of Mysore,
Bangalore.

Bangalore, 30th August 1933. xxx
31

Sir,

With reference to the correspondence ending with this office letter No.Fl.591 dated 29th July 1932 in the matter of the Bank Committee's report, I am directed to forward herewith a draft Agreement embodying the Committee's recommendations and to request the favour of the Bank's opinion whether the draft could be adopted and orders issued.

The other recommendations of the Committee will be taken up for disposal separately and in due course.

The favour of an early reply is requested.

I have the honor to be,

Sir,

Your most obedient servant,

31.8.32

Financial Secretary to Government.

B.K.M.2

84/

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."
CODE – 5TH EDITION A.B.C.

All communications to be addressed
TO THE MANAGER.

The Bank of Mysore Ltd.,

FINANCIAL SECRETARY
2 SEP 1933
No.

844

FINANCIAL BRANCH
2 SEP 1933

Bangalore 31st August '33.

Fl Secy) 2/9/33.

M.311

The Financial Secretary to the
Government of His Highness the Maharaja of
Mysore, Bangalore.

Dear Sir,

I am in receipt of your letter No.Fl.1179 (1)/G. F. 192-31 dated the 31st August '33 forwarding a draft Agreement embodying the Committee's recommendations in the matter of the Bank Committee's Report, and requesting the favour of the Bank's opinion as to whether the draft could be adopted. In reply I beg to state as follows:-

Clause 9.

I note that you propose to alter the period of the Fixed Deposit from 5 years to 3 years, though in the Committee's Report the period is given as 5 years. I think that the following should be added after the word "Agreement":-

"if convenient to the Bank".

Clause 8.

As regards the question of the rate of interest to be allowed in the Current Account from April to December, as you are aware, the rate of interest now allowed on the excess over the minimum balance of Rs.5 lacs from April to December is 1½%, as agreed to by the Financial Secretary in his letter No.Fl.4287/G.F. dated the 30th January 1933. In view of this, I consider the Clause in the Draft Agreement requires modification.

Yours faithfully,

MANAGER.

Appendix F G—1]

SUBJECT .....

.....

.....

Section G.T.

File No. 192-37

Serial No.

Diary No. of letter replied to .....

No. H 1746

To The Manager.
Bank of Mysore Ltd.

General and Revenue Secretariat

( )

the *193*

Sir.

Date of issue 13/9/33

Signed by for ANR

With Reference to your letter No M. 311 Dated 31.8.33 with Draft Memo of Draft Agreement, I am directed to state that there is no objection to adding the words "if convenient to the Bank" after the word "Agreement" at the end of clause 9.

As regards the modification you suggest to Clause 8, I am to state that the recent reduction of the rate of interest to 1½ per Centum on the excess

List of enclosures.....

Copied by.....

Examined by.....

over the minimum balance
of Rs. 5 lakhs from April to
December was made on account
of the extraordinary conditions
of money market. It is obviously
not necessary to include in the Agreement,
which is contracted for a fairly long
period, ~~what~~ What obtains during
~~short period on purely unusual terms,~~
~~which ought at best~~ be passing & transient.
Whenever any change in anticipation of such easy money conditions that
in the rate of interest.
is considered necessary,
it may be effected by mutual understanding
just as in the recent instance.

~~I am to hope that you will not~~
in the light of the foregoing explanation
~~of facts~~, you will not require that no
modification
to clause 6 ~~is called for~~ is called for & that
the clause may accordingly remain
as recommended by the Committee after
due deliberation.

requesting to bring
to make it a condition
of the Bank to the
agreement proposed
with the modification
suggested in the letter

11.9.33

9.9.33

9/9

From

The Secy to Govt

Fe 1746

5.7.1932.31

xxxxxxxxxxxxxxxxxx

Financial Department.

To

The Manager,
Bank of Mysore, Ltd., Bangalore.

12th September 1933. xxx

Sir

With reference to your letter No.M.311 dated 31st August 1933 in the matter of Draft Agreement, I am directed to state that there is no objection to adding the words "if convenient to the Bank" after the word "Agreement" at the end of clause.9.

As regards the modification you suggest to clause 8, I am to state that the recent reduction of the rate of interest to 1½ per centum on the excess over the minimum balance of Rs (5) lakhs from April to December was made on account of the extraordinary condition of money market. It is obviously not necessary to include in the Agreement, which is contracted for a pretty long period, anticipation of such easy money conditions that may be passing and transmit. Whenever any change in the rate of interest is considered necessary, it may be effected by mutual understanding just as in the recent instance.

I am to request you to kindly intimate the acceptance of the Bank to the Agreement proposed with the

modification now suggested in this letter.

I have the honor to be,
Sir,
Your most obedient servant,

Financial Secretary to Government.

S.R.-2

Form No 163—5,000

ALL COMMUNICATIONS TO BE ADDRESSED TO THE MANAGER

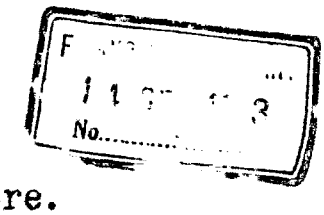
TELEGRAPHIC ADDRESS: "MYSOREBANK"

No. M.390

998

THE BANK OF MYSORE, LTD
P. O. BOX No. 37

Bangalore, 13th Septr. '33.



The Financial Secretary,
Government of Mysore,
Bangalore.

Dear Sir,

I am in receipt of your letter No. Fl.1746/G.F.192-31 of the 13th instant and have pleasure in intimating the acceptance of the Bank to the Draft Agreement subject to the modification proposed in your letter under reply.

Yours faithfully,

MANAGER.

VJ.

Confidential

Proceedings of the Government of H.H. the Maharaja of Mysore.

Read:-

Government Order No.Fl.158-207/ G.F.98-22-2 dated 10th July 1923 approving of the agreement with the Mysore Bank regarding the relations of the Bank with the Government.

2. Government Order No.Fl.7150-7199/G.F.192-31 dated 19th March 1932 appointing a Committee to formulate proposals for developing the organisation of the Mysore Bank with a view to expand its activities in close association with the Government for the general improvement of banking service in the State.

3. Report dated 23rd June 1932 of the Committee referred to above.

4. Communication No.Fl.1980-1/ G.F.66-32-3 dated 3rd October 1932 extending the term of the present agreement with the Mysore Bank pending the consideration of the Report of the above Committee and the adoption of a fresh agreement.

5. Correspondence ending with letter No.M.390 dated 13th September 1933 from the Manager, Bank of Mysore, in the matter of the future relations

of the Bank with the Government.

ORDER NO: Fe 3683-745

Dated, the, 6/1/34

The agreement with the Mysore Bank regarding the relations of the Bank with the Government was sanctioned in Government Order No.Fl.158-207/G.F.98-22 2 dated 10th July 1923 for a period of five years from 1st October 1923 in the first instance and is still in force, having been renewed from time to time with the consent of the Bank. The terms of the existing agreement were scrutinised by the Committee constituted in Government Order No.Fl.7150-7199/G.F. 192-31 dated 19th March 1932, for developing the organisation of the Mysore Bank with a view to expand its operations in close association with ~~the~~ Government for the general improvement of Banking service in the State, and the Committee are of opinion that they are on the whole suitable, having stood the test of time, and have proposed some slight changes in the same. After a detailed examination of the several changes to the existing agreement proposed by the Committee and in consultation with the Mysore Bank

Government direct that the future relations of the Bank with the Governme as accepted by both parties will be as under -

2. The Bank agrees to -

(1) employ or invest or otherwise utilise at least 50 per cent of the capital, deposits and other funds ~~of~~ at the disposal of the Bank within the limits of the State including the Civil and Military Station;

(2) appoint duly qualified banking experts as the Manager and the Deputy Manager with the approval of Government to manage ~~the~~ its affairs;

(3) its accounts being audited ~~by~~ once a year or more frequently by a person appointed by the Government and to furnish the Government as promptly as possible with all information and explanations and to produce for inspection of such persons, all accounts, documents securities and other property of the Bank as the Government may require;

(4) obtain the approval of Government to the appointment of the President of the Board of Directors;

(5) publish such accounts as the Government may desire in the Mysore

Gazette for the information of the public;

(6) not to lend money on the security of immoveable property except as collateral security;

(7) not to engage in, or enter into operations connected with foreign exchange; and

(8) give due consideration to any advice which may be tendered by the Government concerning the management of the business and employment and investment of the Funds of the Bank and training of Officers of the Bank.

The Government agree to -

(1) maintain a current account with the Head Office of the Bank at Bangalore;

(2) entrust to the Bank the work relating to payments and investments in India as far as possible;

(3) transfer to the Bank the custody of the securities in the possession of the Government and the work relating to the drawing of periodical interests due on the securities;

(4) empower the Bank to draw Supply Bills on Treasuries, subject to terms to be settled between the

Comptroller and the Bank from time to time;

(5) authorise the Bank to pay interest on the securities of the Government; and

(6) keep a deposit of rupees ten lakhs for a further limited period.

2. The detailed terms on which the above items of work are to be performed by the Bank and on which the deposit is to be kept with it by the Government will be as settled between the two parties in separate agreements entered into from time to time.

3. The revised agreement now sanctioned is indicated in the Annexure

20-10-33

Financial Secretary to Gov

3-10-33

To

The Manager, Bank of Mysore.

" Comptroller to Government.

" Secretaries to Government.

" Heads of Departments and Deputy Commissioners of Districts.

No.Fl. G.F. dated

Agreement between the Government of Mysore and the Bank of Mysore, Limited, for the performance of the business of the former entrusted to the latter.

****

(1) Payments to be made in India by the Government outside the State may be arranged for through the Bank which will be paid a commission of 1/16th per cent on amounts paid.

(2) Investments of the Government in the Government of India Bonds and Treasury Bills will be made through the Bank as far as possible.

(3) All Securities held by the Government of Mysore will be kept in the custody of the Bank. The interest due periodically on such securities will be arranged to be drawn by the Bank as it becomes payable and credited to the current account of the Government with it. The Bank will be paid by the Government commission at 1/8th per cent on the interest thus drawn. No fee for safe custody of securities nor for withdrawal of securities is payable by the Government to the Bank. The Comptroller or an officer authorised by him shall verify in the Bank by actual counting twice a year the securities entrusted to the safe custody of the Bank.

(4) The Bank will be authorised to draw Supply Bills from March to June on any ~~treasury~~ treasury in the State and such drawing will be permitted at par. The amount which can be held at the disposal of the Bank for this purpose at the different treasuries and the procedure for ascertaining the amounts of such

surplus and that for the drawing of, and accounting for, Supply Bills will be as determined by the Comptroller.

(5) Amounts tendered by the public to a district or taluk treasury where no branch or agency of the Bank exists for remittance to the Head Office of the Bank will be accepted and R.T.Rs issued at par subject to the condition that the amount of each R.T.R. is not less than Rs 100 and that the total amount of R.T.Rs. applied for from any treasury in any one month does not exceed Rs 5,000 The same facility will be afforded to the Bank at any Government Treasury if convenient to the treasury.

(6) The Bank will pay interest on the securities of Government which are enfaced for payment by the Bank and will receive a commission at 1/8th per cent on the amount of interest disbursed by it. Interest so paid will be charged to the Government's current account with the Bank. The Bank will keep accounts for such interest paid in the same manner as treasuries, and these accounts will be subject to inspection in the same way.

(7) The Government will continue its current account with the Bank's Head Office in Bangalore and undertake to keep a constant minimum balance of Rs 5 lakhs at the credit of this account.

The Bank has the option to limit the maximum amount which it may hold at the credit of the account of the Government to ~~Rs.20~~ Rs.20 lakhs inclusive of the constant minimum of Rs.5 lakhs. For withdrawals exceeding in the aggregate Rs 2 lakhs in a week,

week's notice will ordinarily be given by Government.

(8) The Bank agrees to pay interest on the monthly minimum balances of the current account as follows:-

PERIOD	Rate of interest per annum.
January to March.	Two per cent below the Bank rate of the Imperial Bank of India, subject to a maximum of 6 per cent per annum.
April to December.	2½ per cent on the constant minimum of Rs 5 lakhs and 2 per cent on the excess over this balance.

(9) The Government agree to keep a fixed deposit with the Bank a sum of Rs.5 lakhs at 5 per cent per annum for a period of 3 years from the date of this agreement, if convenient to the Bank.

(10) This agreement will be in force in the first instance for a period of three years from 1st October 1933 to be renewed thereafter if necessary with such alterations and for such further time as may be agreed to by the Government and the Bank.

Financial Secretary to Govt.

3-10-33

CONFIDENTIAL.

Government of his highness the Maharaja of Mysore.

FINANCIAL DEPARTMENT.

G. O. No. Fl. 3685-745—G. F. 237-33-1, dated 6th January 1934.

Revised Agreement.

Approves of the —— with the Mysore Bank.

READ—

Government Order No. Fl. 158-207—G. F. 98-22-2, dated 10th July 1923, approving of the Agreement with the Mysore Bank, regarding the relations of the Bank with the Government.

2. Government Order No. Fl. 7150-7199—G. F. 192-31, dated 19th March 1932, appointing a Committee to formulate proposals for developing the organisation of the Mysore Bank, with a view to expand its activities in close association with the Government for the general improvement of Banking Service in the State.

Page 10 of the Report of the Committee—(printed collection).

3. Report, dated 23rd June 1932, of the Committee, referred to above.

4. Communication No. Fl. 1980-1—G. F. 66-32-3, dated 3rd October 1932, extending the term of the present agreement with the Mysore Bank, pending the consideration of the Report of the above Committee and the adoption of a fresh agreement.

5. Correspondence ending with letter No. M. 390, dated 13th September 1933, from the Manager, Bank of Mysore, in the matter of the future relations of the Bank with the Government.

ORDER NO. FL. 3685-745—G. F. 237-33-1, DATED BANGALORE, THE 6TH JANUARY 1934.

The agreement with the Mysore Bank, regarding the relations of the Bank with the Government, was sanctioned in Government Order No. Fl. 158-207—G. F. 98-22-2, dated 10th July 1923, for a period of five years from 1st October 1923, in the first instance and is still in force, having been renewed from time to time with the consent of the Bank. The terms of the existing agreement were scrutinised by the Committee, constituted in Government Order No. Fl. 7150-7199—G. F. 192-31, dated 19th March 1932, for developing the organisation of the Mysore Bank, with a view to expand its operations in close association with Government for the general improvement of Banking Service in the State, and the Committee are of opinion that they are on the whole suitable, having stood the test of time, and have proposed some slight changes in the same. After a detailed examination of the several changes to the existing agreement proposed by the Committee and in consultation with the Mysore Bank, Government direct that the future relations of the Bank with the Government, as accepted by both parties, will be as under:—

The Bank agrees to—

(1) employ or invest or otherwise utilise at least 50 per cent of the capital, deposits and other funds at the disposal of the Bank, within the limits of the State including the Civil and Military Station;

(2) appoint duly qualified banking experts as the Manager and the Deputy Manager with the approval of Government to manage its affairs;

(3) its accounts being audited once a year or more frequently by a person appointed by the Government and to furnish the Government as promptly as possible with all information and explanations and to produce for inspection of such persons, all accounts, documents, securities and other property of the Bank as the Government may require;

(4) obtain the approval of Government to the appointment of the President of the Board of Directors.

(5) publish such accounts as the Government may desire in the *Mysore Gazette*, for the information of the public;

(6) not to lend money on the security of immovable property except as collateral security;

(7) not to engage in, or enter into operations connected with foreign exchange; and

(8) give due consideration to any advice which may be tendered by the Government concerning the management of the business and employment and investment of the funds of the Bank and training of Officers of the Bank;

The Government agree to—

(1) maintain a current account with the Head Office of the Bank at Bangalore;

(2) entrust to the Bank, the work relating to payments and investments in India, as far as possible;

(3) transfer to the Bank, the custody of the securities in the possession of the Government and the work relating to the drawing of periodical interest due on the securities;

(4) empower the Bank to draw Supply Bills on Treasuries, subject to terms to be settled between the Comptroller and the Bank, from time to time;

(5) authorise the Bank to pay interest on the securities of the Government; and

(6) keep a deposit of rupees ten lakhs for a further limited period.

2. The detailed terms on which the above items of work are to be performed by the Bank and on which the deposit is to be kept with it by the Government, will be as settled between the two parties in separate agreements entered into from time to time.

3. The revised agreement, now sanctioned, is indicated in the Annexure.

M S Shamanna

Secretary to Government,
Financial Department.

To—The Manager, Bank of Mysore.
The Comptroller to Government.
The Secretaries to Government.
The Heads of Departments, and Deputy Commissioners of Districts.

EXD.—C. K.

No. Fl. 3685-745—G. F. 237-33-1, dated 6th January, 1934.

ANNEXURE.

Agreement between the Government of Mysore and the Bank of Mysore, Limited, for the performance of the business of the former entrusted to the latter.

(1) Payments to be made in India by the Government outside the State may be arranged for through the Bank which will be paid a commission of 1/16th per cent on amounts paid.

(2) Investments of the Government in the Government of India Bonds and Treasury Bills will be made through the Bank as far as possible.

(3) All Securities held by the Government of Mysore will be kept in the custody of the Bank. The interest due periodically on such securities will be arranged to be drawn by the Bank as it becomes payable and credited to the current account of the Government with it. The Bank will be paid by the Government commission at 1/8th per cent on the interest thus drawn. No fee for safe custody of securities nor for withdrawal of securities is payable by the Government to the Bank. The Comptroller or an officer authorised by him shall verify in the Bank by actual counting twice a year the securities entrusted to the safe custody of the Bank.

(4) The Bank will be authorised to draw Supply Bills from March to June on any treasury in the State and such drawing will be permitted at par. The amount which can be held at the disposal of the Bank for this purpose at the different treasuries and the procedure for ascertaining the amounts of such surplus and that for the drawing of, and accounting for, Supply Bills will be as determined by the Comptroller.

(5) Amounts tendered by the public to a district or taluk treasury where no branch or agency of the Bank exists for remittance to the Head Office of the Bank will be accepted and R. T. R's issued at par subject to the condition that the amount of each R. T. R. is not less than Rs. 100 and that the total amount of R. T. R's applied for from any treasury in any one month does not exceed Rs. 5,000. The same facility will be afforded to the Bank at any Government Treasury if convenient to the treasury.

(6) The Bank will pay interest on the securities of Government which are enfaced for payment by the Bank and will receive a commission at 1/8th per cent on the amount of interest disbursed by it. Interest so paid will be charged to the Government's current account with the Bank. The Bank will keep accounts for such interest paid in the same manner as treasuries, and these accounts will be subject to inspection in the same way.

(7) The Government will continue its current account with the Bank's Head Office in the Bangalore and undertake to keep a constant minimum balance of Rs. 5 lakhs at the credit of this account.

The Bank has the option to limit the maximum amount which it may hold at the credit of the account of the Government to Rs. 20 lakhs inclusive of the constant minimum of Rs. 5 lakhs. For withdrawals exceeding in the aggregate Rs. 2 lakhs in a week, a week's notice will ordinarily be given by Government.

(6) The Bank agrees to pay interest on the monthly minimum balances of the current account as follows :—

Period		*Rate of interest per annum*
January to March	...	Two per cent below the Bank rate of the Imperial Bank of India, subject to a maximum of six per cent per annum.
April to December	...	Two and a half per cent on the constant minimum of Rs. 5 lakhs and two per cent on the excess over this balance.

(9) The Government agree to keep a fixed deposit with the Bank a sum of Rs. 5 lakhs at five per cent per annum for a period of three years from the date of this agreement, if convenient to the Bank.

(10) This agreement will be in force in the first instance for a period of three years from 1st October 1933, to be renewed thereafter if necessary with such alterations and for such further time as may be agreed to by the Government and the Bank.

S. SHAMANNA,
Secretary to Government,
Financial Department.

WD 1193—GPB—475 –10-1-34.

F.7 237-33-2

Proceedings of the Government of H.H. the Maharaja of Mysore.

125

250 Copies

R e a d:-

Government Orders Nos.Fl.3800-860/G.F. 29-28 and Fl.7150-7189/G.F.192-31 dated 3rd December 1931, and 19th March 1932, respectively, appointing a Committee to formulate proposals for developing the organisation of the Bank of Mysore with a view to expand its operations in close association with the Government for the general improvement of banking service in the State.

2. Letter dated 23rd June 1932, from the Secretary to the Committee submitting the report.

3. Correspondence ending with letter No. M.79 dated 21st July 1932, from the Manager, Mysore Bank forwarding a copy of Resolution passed by the Board of Directors expressing general agreement with the recommendations made by the Committee.

ORDER NO. Fe 3746-810

Dated, Camp Mysore, ~~October 1933.~~ 6/1/34

Government have perused with interest the report submitted by the Committee and are pleased to pass the following orders on the several recommendations made by them.

Transfer of Treasury Work.

The representatives of the Bank consider that the system might be tried at Bangalore in the first instance, and the authorities of the Bank are reported to be prepared to provide accommodation and other facilities for the Treasury staff deputed for work in the Bank, if the work is transferred. But the Committee as a whole are not convinced of

of the desirablility of a partial transfer of treasury work in a single place, and hold that a general transfer of treasury business in all places, where the Bank has its branches is not possibl under present conditions.

The question of a general transfer of treasury work has received consideration almost from the inception of the Bank but it has not been found possible to decide in its favour in the absence of a special law for regulating the working of the Bank. The recommendatio of the Committee is in these circumstances accepted.

The Committee however suggest that some more items of work similar to payment of interest on State Loan Bonds be transferred to the Bank and refer to pensions as one such item.

The Comptroller is requested to submit proposals in consultation with the Bank regarding the items of work which could be entrusted to it and the conditions xxxxx subject to which the transfer might be allowed.

Placing the Bank on a Statutory basis :- The Committee recommend unanimously that the constitution of the Bank and its relations with the

the Government should be placed on a statutory basis. They however consider before that undertaking legislation it is necessary to wait and see what action will be taken by the Government of India on the recommendations of the Central Banking Enquiry Committee. In the meantime, the Committee suggest that the relations of the Bank with the Government might continue to be governed by an agreement as hitherto. They also suggest that an expert Committee consisting of the representatives of both the Government and the Bank might be appointed to work out the general lines of the Legislation for regulating banking in the State in general and the working of the Bank of Mysore in particular.

Government generally endorse these views of the Committee. ~~Action will be taken to renew the agreement for~~ a ~~further period of three years~~. The appointment of an Expert Committee as suggested will be kept in view and ordered in due course.

Revision of the agreement:-

~~Orders have been issued in G.O.No. dated approving of the revised agreement with~~

~~with the Mysore Bank for a period of three years from 1st November 1933.~~

As regards the change in the rate of interest on the Government balances in the Current Account, Government consider that there would be no justification for allowing the concession recommended by the Committee unless it be in return for some consideration in the general public interests which the Bank is willing to allow. However, as the Committee recommend the concession " in view of the co-operation expected of the Bank in several directions including industrial finance" Government approve of the Committee's suggestion.

The question of the cash ratio to be maintained by the Bank against demand liabilities is an important condition of the Agreement of 1923, and this condition which is ~~accordingly~~ incorporated in the ~~New~~ Revised Agreement, should not be overlooked.

orders have been issued in G.O. No 3685-745 dated 6/1/33 approving of the revised agreement with the Mysore Bank for a period of three years from 1933

Government representation on the Board of Directors:-

Government agree with the Committee. This question will also be referred to the Committee to be appointed in connection with placing the constitution of the Bank on a statutory basis.

Extension of Banking facilities.

Government agree with the Committee that though the need for opening new branches is not now very pressing, the general extension of banking facilities in the moffusil should be kept steadily in view. This suggestion of the Committee as well as that of the Director of Industries and Commerce, is commended for the consideration of the Bank.

regarding the conversion of certain sub-branches into branches and opening new sub branches in certain places

Industrial Finance :-

The arragements proposed for industrial finance are of an important characte and are reserved for separate consideratio

Government desire to convey their thanks to the Members of the Committee for their valuable suggestions and to the representatives of the Bank in particular for the spirit of co-operation with which they have approached and handled the whole question.

DRAFT) 20/10/33

Financial Secretary to Govt.

3-10-33

To

The Members of the Committee.
" Secretaries to Government.
" Heads of Departments.
" Deputy Commrs. of Dists.
" Manager, Mysore Bank.

" PRESS TABLE.

K.M.R.1/2-10.

S. O.

Government of his highness the Maharaja of Mysore.

FINANCIAL DEPARTMENT.

G. O. No. Fl. 3746-810—G. F. 237-33-2, dated 6th January 1934.

The Mysore Bank Committee.

Passes orders on the recommendations of ——.

READ -

Government Orders Nos. Fl. 3800-860—G. F. 29-28 and Fl. 7150-7189—G. F. 192-31, dated 3rd December 1931, and 19th March 1932, respectively, appointing a Committee to formulate proposals for developing the organisation of the Bank of Mysore, with a view to expand its operations in close association with the Government for the general improvement of banking service in the State.

2. Letter dated 23rd June 1932, from the Secretary to the Committee, submitting the report.

3. Correspondence ending with letter No. M. 79, dated 21st July 1932, from the Manager, Mysore Bank, forwarding a copy of resolution passed by the Board of Directors expressing general agreement with the recommendations made by the Committee.

ORDER No. FL. 3746-810—G. F. 237-33-2, DATED BANGALORE, THE 6TH JANUARY 1934.

Government have perused with interest the report submitted by the Committee, and are pleased to pass the following orders on the several recommendations made by them :—

Transfer of Treasury Work.—The representatives of the Bank consider that the system might be tried at Bangalore in the first instance, and the authorities of the Bank are reported to be prepared to provide accommodation and other facilities for the Treasury staff deputed for work in the Bank, if the work is transferred. But the Committee as a whole are not convinced of the desirability of a partial transfer of treasury work in a single place, and hold that a general transfer of treasury business in all places where the Bank has its branches is not possible under present conditions.

The question of a general transfer of treasury work has received consideration almost from the inception of the Bank, but it has not been found possible to decide in its favour in the absence of a special law for regulating the working of the Bank. The recommendation of the Committee is in these circumstances accepted.

The Committee however suggest that some more items of work similar to payment of interest on State Loan Bonds be transferred to the Bank and refer to pensions as one such item.

The Comptroller is requested to submit proposals in consultation with the Bank regarding the items of work which could be entrusted to it and the conditions subject to which the transfer might be allowed.

Placing the Bank on a statutory basis.—The Committee recommend unanimously that the constitution of the Bank and its relations with the Government should be placed on a statutory basis. They however consider that before undertaking legislation it is necessary to wait and see what action will be taken by the Government of India on the recommendations of the Central Banking Enquiry Committee. In the meantime, the Committee suggest that the relations of the Bank with the Government might continue to be governed by an agreement as hitherto. They also suggest that an expert Committee consisting of the representatives of both the Government and the Bank might be appointed to work out the general lines of the Legislation for regulating banking in the State in general and the working of the Bank of Mysore in particular.

Government generally endorse these views of the Committee. The appointment of an Expert Committee as suggested will be kept in view and ordered in due course.

Revision of the Agreement.—As regards the change in the rate of interest on the Government balances in the Current Account, Government consider that there would be no justification for allowing the concession recommended by the Committee unless it be in return for some consideration in the general public interests which the Bank is willing to allow. However, as the Committee recommend the concession "in view of the co-operation expected of the Bank in several directions including industrial finance," Government approve of the Committee's suggestion.

Orders have been issued in Government Order No. Fl. 3685-745—G. F. 237-33-1, dated 6th January 1934 approving of the revised agreement with the Mysore Bank for a period of three years from 1st October 1933.

The question of the cash ratio to be maintained by the Bank against demand liabilities is an important condition of the agreement of 1923, and this condition which is incorporated in the Revised Agreement, should not be overlooked.

Government Representation on the Board of Directors.—Government agree with the Committee. This question will also be referred to the Committee to be appointed in connection with the placing the constitution of the Bank on a statutory basis.

Extension of Banking Facilities.—Government agree with the Committee that though the need for opening new branches is not now very pressing, the general extension of banking facilities in the moffusil should be kept steadily in view. This suggestion of the Committee as well as that of the Director of Industries and Commerce regarding the conversion of certain sub-branches into branches and opening new sub-branches in certain places is commended for the consideration of the Bank.

Industrial Finance.—The arrangements proposed for industrial finance are of an important character and are reserved for separate consideration.

Government desire to convey their thanks to the Members of the Committee for their valuable sugggestions and to the representatives of the Bank in particular, for the spirit of co-operation with which they have approached and handled the whole question.

S. SHAMANNA,
Secretary to Government,
Financial Department.

To—The members of the Committee.
The Secretaries to Government.
The Heads of Departments.
The Deputy Commissioners of Districts.
The Manager, Mysore Bank.
PRESS TABLE.

Exd.—C. K.

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